SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1965

No. 73

UNITED STATES, Appellant,

vs.

GRINNELL CORPORATION, ET AL.

No. 74

GRINNELL CORPORATION, Appellant,

vs.

UNITED STATES

No. 75

AMERICAN DISTRICT TELEGRAPH COMPANY, Appellant,

vs.

UNITED STATES

No. 76

HOLMES ELECTRIC PROTECTIVE COMPANY, Appellant,

vs.

UNITED STATES

No. 77

AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Appellant,

vs.

UNITED STATES

APPEALS FROM THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

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[fol. 6391] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT D89

July 28, 1960.

Air Mail

Mr. R. J. Highstone
District Sales Manager

Highland Park Police Dept., Highland Park, Illinois

Thanks for your letter dated July 26 in which you recommend a sales price of $1027.18. We are inclined to go along with your recommended price but there is a point that concerns us relating to the sale of this equipment. The first piece of equipment we sold was for our direct-connect use as well as the use of other companies. It develops now that our central station services have been extended so that central station service is available here and we no longer sell direct-connect.

You, of course, know that wherever central station service is available by our Company or any other company, it is the usual pattern to discourage any use of direct-connect service. It is hard for a central station operation to compete against a free direct-connect operation into fire and police headquarters.

I wish you would give this recommended sale a little more thought and write us again furnishing a little more detail as to why this equipment should be furnished.

L. J. O'Brien, General Sales Manager. By: Ray Brechbill, Assistant to General Sales Manager.

rmh

[fol. 6392] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT D92

SAN FRANCISCO, CALIF.

January 5, 1960.

Mr. W. K. Francis
District Sales Manager

Bemis Bros. Bag Company, Newark, California

This organization, which is a subscriber with ADT at many locations, is presently constructing a new plant in Newark, California, which is within the Oakland Central Station boundaries. The sprinkler system consists of five risers with seven shut-off valves.

About two months ago, Mr. J. W. Bland of Bemis' St. Louis Engineering Department asked our Sales Representative Jaeckel at the St. Louis office for a quotation for SS/WF, to conform with F.I.A. requirements. A quotation was eventually submitted for an ADSC of $1,708.50 and an ASC of $1,150.00. This included three transmitters and two manual fire alarm boxes—full Central Station.

A short while later, Bland advised Jaeckel that quotations had been received from Pacific Fire Extinguisher Company and Gamewell, using a direct connect arrangement—they further advised that they could furnish gate valve supervision. In a letter to the Newark Fire Chief Paschote, the Pacific Fire Extinguisher asked for permission to install an extra box in the Station which would indicate a closed gate valve. The Fire Department should then call the Pacific Fire Extinguisher office in San Francisco. I believe Gamewell offered a similar arrangement, as they were successful in installing an identical system in San Lorenzo, a few miles north of Newark, last year as a Factory Mutual risk.

The local F.I.A. Engineering people specified that Bemis must use Central Station or watchmen. Checking with them yesterday, we confirmed a report from Mr. Jaeckel that the F.I.A. in Chicago had reversed this stand and would now accept direct connect arrangement.

Mr. Jaeckel has a request from Mr. Bland for a quotation on outright sale of equipment based on five waterflow

alarms, four manual fire alarm boxes and supervision of the gate valves as an optional—presumably to be quoted separately. In addition, another figure should be given for leased telephone facilities (which run about $50.00 per year on DC) and a maintenance contract.

We have urged the local F.I.A. to support our cause—but after their talking to the Chicago office (a Mr. E. J. Sestak, Assistant Manager), they advise that the matter has been withdrawn from their control. Mr. S. Johnson, Assistant to Frank McClain, the West Coast manager of F.I.A., infers that the relaxing of F.I.A. standards is due to a competitive battle between F.I.A. and the Mutuals. We understand the Mutuals formerly handled the bulk of this account.

I can do nothing further here and ask if our New York Insurance Department can assist, possibly in exerting pressure from above on Mr. Sestak.

The Newark-Fremont area will have a number of large national concerns moving in this year; if the first one goes direct connect, it poses quite a problem for future business.

R. P. Lucy, Sales Representative.

RPL/ef

[fols. 6393-6394] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT D93

October 5, 1954.

Mr. A. E. Smith
General Commercial Manager

Direct-Connected Competition
Diebold Co. and Gamewell Co.
Sioux City, Iowa

Mr. E. Hagan, Commercial Superintendent at Minneapolis called today to discuss a situation that has arisen at Sioux City.

A recent change in administration locally saw the appointment of a Mr. Robert M. Hoisington as City Manager. According to Mr. Hagan this gentleman has a past history in Springfield, Ohio as being very favorable to the Gamewell

Company for direct connections into the city departments and he is fostering the same in Sioux City, to the extent that he will not listen to A.D.T. arguments to the contrary. To date we have lost several negotiations for new business to this competition but no subscribers as yet. Mr. Hagan stated that Mr. Turnbull, Operating Superintendent, was planning to visit Sioux City next week and inasmuch as he (Hagan) could not accompany him he wondered whether someone from the New York Commercial Office could be made available. I told Mr. Hagan that at the moment we had no one available to handle this from New York and further that Mr. Turnbull was equipped to handle all that could be done. Mr. Hagan plans to report more fully on the subject.

Attempted to discuss this matter with Mr. Rustic but he was out of town.

L. J. O'Brien.

AI

cc: Mr. J. J. Stephens.

For information FJOB, (Handwritten).

[fol. 6395] In United States District Court

Defendants' Exhibit D97

CC: Mr. M. P. Berglund, P.S.
CC: Mr. G. T. Edgar, O.S.

Cleveland, Ohio

June 30, 1955.

Mr. A. E. Smith
Vice President
New York Office

Competition—Cincinnati, Ohio

Due to numerous attacks on banks in the recent months the police chief, Mr. Schrotel of Cincinnati called a meeting last week asking all banks to have a representative present. At that meeting the chief urged all banks to install holdup

alarm systems to be connected directly to the police headquarters eliminating any middle man such as the ADT Co. We received the first word of this gesture from Mr. Maxwell of the First National Bank when he was called upon in an effort to renew 16 contracts and protection for seven additional banks.

Messrs. Gates and Balestrino immediately went to the police department to see the chief where they had a lengthy discussion obviously voicing all the advantages of ADT and the disadvantages of certain other types of alarm. It seems that our two representatives could say nothing to impress Chief Schrotel who stated he was not only allowing banks to come in direct but was requesting and encouraging them to do so. He stated further that he was going to have an individual meeting with the presidents of all the Cincinnati banks at which time he would make it very clear that he wanted no middle man—ADT or otherwise—to be involved in this kind of service.

Both Mr. Gates and Mr. Balestrino made a call on Mr. James Hearn, Wire Chief for the City of Cincinnati, to obtain further information. The story there was practically the same in that Mr. Hearn stated that the idea was entirely one of the Chief's and the Chief was very determined to put it into use.

If the Chief is successful in convincing the banks of Cincinnati it may have some far-reaching effects on us. I do not know what success the Chief has gained so far nor do we know what gave him this bright idea. I assure you that we will do everything possible to counteract it and hope earnestly that the matter will not become too serious and possibly it may die out as we have seen others do likewise. I will keep you posted on any further developments.

Mr. Edgar has been out of town since I received this last word therefore I have not had the opportunity of discussing it with him which I intend doing as soon as he returns.

C. L. Chafee, District Sales Manager.

CLC:VH

[fol. 6396] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT E1

Controlled Companies of
AMERICAN DISTRICT TELEGRAPH COMPANY (N.J.)

Sprinkler Supervisory
Coordinating Instructions No. 3
New York, N.Y., November 24, 1953.

Headquarters Officials
Plant Superintendents and Foremen
Operating Superintendents and Managers
Commercial Superintendents and Representatives

Sprinkler Supervisory and Waterflow Alarm Services

On July 28, 1953, announcement was made to all ADT employees that the Western Union Telegraph Company had disposed of its entire interest in ADT's capital stock to the Grinnell Corporation, supplying assurance of continuance of business in the same manner as heretofore and under the same management.

To remove any doubt as to how this major change in ADT's ownership may affect the policy set forth in Sprinkler Supervisory Coordinating Instructions No. 2, dated April 24, 1953, the instructions are hereunder reiterated, in full:

> "Effective February 18, 1954, the actuating devices in connection with all new contracts for central station SS & WF and WFA services will be furnished by and at the cost of ADT, and will be installed by ADT personnel, or designated subcontractors at the cost of ADT.
>
> "This change in our practices will require that we solicit and maintain close and mutually beneficial contact with sprinkler installing companies. In this connection and as a matter of information, there is attached a copy of letter, written, as indicated, to sprinkler installing companies throughout the country, outlining, in general, the policies that ADT will plan to pursue in its dealings with these companies, their licensees and agents.

"The essence of our approach to the sprinkler installing companies is the desire to see that whatever company installed any automatic sprinkler system shall have the first opportunity to install the SS and/or WF actuating devices in conjunction with any service contract secured by ADT.

"Responses received to date from the companies addressed reflect a generally favorable reaction to our proposals. Each of these major sprinkler installing companies will, in all likelihood, inform its licensees and agents of our plans for utilizing their services, and it is expected that our field people may receive, from one or more local sprinkler installing agencies, inquiries or requests for information relating to the type of devices used, data as to methods of installation, etc. "Such inquiries or requests shall be given the considerate and courteous attention of our local people. Every attempt shall be made to cultivate a spirit of cooperation with local sprinkler installing agencies.

"Please promptly acknowledge any requests from sprinkler companies for information regarding the proposed arrangements and forward such requests through departmental channels for the attention of the [fol. 6397] Sprinkler Coordinator, "who will correspond directly with the sprinkler company, or with the submittor respecting further handling of the request."

Instructions governing the installation of these devices have been sent to all ADT personnel involved and to the sprinkler installing companies we have on record.

It is now more important than ever that we comply with these instructions to the letter. We were and remain sincere in our desire to cooperate with all members of the Automatic Sprinkler and Fire Control Association, their licensees and agents in our mutual interest in furthering the cause of fire prevention through the greater use of automatic sprinkler protection supplemented by sprinkler supervisory service.

C. S. Hammergren, Sprinkler Coordinator.

Concurred in:

W. Hable, General Supt. of Plant.

[fol. 6398] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT E3

SEATTLE, WASHINGTON

February 11, 1959.

L. J. O'Brien

Mr. A. W. Sullivan, Director
Public Relations Department

Competition—Tacoma, Washington

With reference to General Sales Manager L. J. O'Brien's letter to me dated January 30, 1959, on this subject, I am sorry that I haven't written you anything on this subject since December 20, 1958, but to be perfectly frank about it, there is really nothing to write other than to tell you I am working extremely hard on the subject and I feel that I have things pretty well in hand for the time being.

In order to bring you up-to-date, on January 15 a meeting was held in the Tacoma City Manager's Office (Mr. David D. Rowlands) along with one of their councilmen, Mr. Omar Bratrud, who is a very important insurance broker in Tacoma, to discuss the possibilities of drafting an Ordinance that would be agreeable to the city officials, the Fire Chief, and everyone else that is in the fire alarm business. As you and I both know, this would be a very difficult task in order to make everyone happy.

For your information, we received discontinuances for rendering our services from two very important people in Tacoma and they are now using Gamewell equipment and the fire alarm service is connected to the municipal fire alarm headquarters. Of course, I am very much concerned about the discontinuance of our services in Tacoma, or any other cities in District 12, and I feel that it is unjust for cities to be in competition with legitimate companies rendering services such as ours. First of all, it is not a function of the cities and, secondly, every time they allow such connections to their municipal circuit, they are depriving them of a certain amount of revenue that they normally receive from companies as a franchise charge or business

tax. Until I am told not to fight this type of competition, I am going to fight it as vigorously as I possibly can. However, I feel that there will be a compromise made on the fire protection problem in Tacoma in that they will propose to draft an Ordinance that will allow auxiliary service to be connected to the municipal fire alarm system with the following stipulations:

1. The system will have to be Underwriters' approved. The application for making connections to the municipal system will have to be approved by the Fire Chief first and, secondly, by the Washington Surveying and Rating Bureau.
2. In order to secure a permit from the City of Tacoma, the city will have to be given assurance that regular monthly inspections will be made by the manufacturing company, or its representative, and the reports will have to be submitted to the Washington Surveying and Rating Bureau.
3. The user of the municipal alarm service will have to pay the city of Tacoma a charge for each fire alarm box that is connected to it and a charge will also be made for each sprinkler system connected to it.

[fol. 6399] The details of working out this Ordinance are now in the hands of the Tacoma Corporation Counsel and I feel that the Ordinance is going to be a very difficult one to draft and, for your information, the Notifier Company and the Gamewell Company are not happy about such a proposed Ordinance. The Ordinance is not being drawn up at the request of our company, but at the request of the City Manager and the City Council, as well as the Fire Chief. So, if any information gets back to your office that we are trying to keep competitive fire alarm companies out of the city of Tacoma they may be told that this information is entirely wrong.

You will recall you and I discussed this subject and this letter just confirms my remarks.

W. J. Dahl.

WJD:MJ

cc Mr. L. J. O'Brien, Mr. D. W. Casto.

[fol. 6400] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT E4

BIRMINGHAM, ALABAMA

August 6, 1956.

Reply to letter of 8-3-56

W. B. Flammer, Oper. Supt

8-8-56

——ley:

This for your information in connection with yours of 8-3-56 to Mr. Hable.

Mr. W. B. Flammer, Operating Supt.

ADT Competition—Birmingham Alabama Area

Referring to Supt. H. L. Kelley's letter on the above.

Gamewell has been giving us competition for the past ten years. This has been known by the Superintendents of all three departments. As for someone in the Birmingham Fire Department pushing Gamewell sales this I have no knowledge of. It is and has been rumored that Chief Boyd, in charge of maintenance for the Birmingham Fire Department leans toward Gamewell more than ADT but this is just a rumor.

This morning I paid a visit to Chief Boyd regarding the above, and during our general conversation he stated quite often he gets calls for fire alarm service and refers the prospect to ADT as well as Gamewell. He also stated that quite often the prospects call him back and state the ADT price is too high and they would like to have Gamewell installed. He further stated that in no way does he nor will he solicit for either company, it is just up to the prospect as to which company they desire. As a matter of information Chief Boyd also stated that they had between 20 and 25 Gamewell connections in Birmingham.

Regarding Spurling and Dictograph Company, Chief Boyd stated this company did apply but did not receive

permission to install equipment in Fire Department Headquarters.

On my visit to Police Chief Jamie Moore, I learned that the Spurling and Dictograph Co. has permission to install headquarters equipment at Police Headquarters for Banks only. The Exchange Bank whom we have police call service with is to be the first customer.

The subscriber we lost to Gamewell is Joslyn Company, this is a Chicago national account and the discontinuance orders came from the Chicago office. As to losing several more to Gamewell this is just a supposition on Foreman Ford's part, neither Commercial Representative Seibert nor myself have knowledge of further discontinuances.

If additional information is desired on the above please advise.

S. H. Filipkowski, Manager.

[fol. 6401] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT E6

Mr. Swanson:

As information. Will endeavor to keep you advised.

DETROIT, MICHIGAN

October 10, 1960.

Service Sup't 10/10

Confidential

Competition

Following information has been received from one of our Michigan Managers—

> "Our city is being invaded by a serious threat—a Competitor—namely, the William J. Burns Detective Agency, Inc.,—a Mr. Hugh Robertson, Sales Representative, 1335 Dime Building, Detroit, Michigan.
>
> "This salesman is contacting all night watch subscribers, with a sales 'pitch' that he can furnish uniformed guards on a twenty-four hour basis. Guards

fully trained to fight fires—thereby eliminating the need of ADT systems and Manual Fire Alarm Boxes. Claims he can save them a large sum of money.

"To date we have lost one contract amounting to approximately $1200.00 annually.

"This man plans to work other Michigan cities."

Please watch subject closely and advise us of any activity in your city.

Thank you.

——, ——, Service Superintendent

[fol. 6402] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT E7

SAN FRANCISCO, CALIF.

May 9, 1960.

Personal

Mr. L. J. O'Brien
General Sales Manager

Competition

We have made a rather exhaustive analysis of competition in general and the four companies mentioned in your letter of April 5 in particular—Notifier Company, Minneapolis-Honeywell Company, Gamewell (Auxiliary), Spurling Fire Alarm Company. The latter is not active in this area.

Notifier Company:

Montgomery Ward & Co., New Warehouse, San Leandro, California. SS/WF. Our basic Central Station rates: approximately ADSC $10,000.00, ASC $4,000.00. Notifier was specified and we were not permitted to quote the contractor. Ward's purchased the equipment, tying in the

WFA to the San Leandro Fire Department and with a panel at their guard station within the plant for receipt of SS/WF signals. We were unable to obtain the amount of the Notifier quotation. We understand there was no maintenance contract involved.

We also lost a small Montgomery Ward & Co., Retail Store, Richmond, California job to the Notifier Company on an outright sale basis which we did not quote.

The Notifier Company has a representative in this area, Mr. E. S. Hewitt, who works actively with his several agents in Fresno, San Francisco, Oakland and in the Northwest. Until the Ward's job in San Leandro, most of the competition from this concern had been in outlying DC cities.

Gamewell Company:

Westinghouse Electric Corporation, San Lorenzo, California. 18 units SS/WF. Our ADSC $2,150.00 ASC $1,150.00. Lost to Gamewell Company, outright sale. Quotation unknown. In addition to auxiliarized WF, Gamewell supervises the gate valves through the use of a separate box and a panel in the San Lorenzo fire station. The Factory Mutuals specified gate supervision and, we understand, approved this arrangement. We believe there is no inspection-maintenance contract with Gamewell. We understand the San Lorenzo Fire Department is making periodic tests.

Stauffer Chemical Company, Richmond, California. We are presently engaged in a competitive negotiation for AFA and SS/WF. Our standard Central Station ADSC $5,720.00, ASC $1,845.00. We quoted ADSC $3,975.00 and ASC $1,450.00 because of the known competition. We have not as yet been able to obtain the amount of the Gamewell quotation and the negotiation is still active.

William Volker & Co., Albuquerque, N.M. We have just learned from this E/A account headquarters in San Francisco that the Gamewell system they purchased cost them $635.00 against our WF rate for three units—ADSC $405.00, ASC $495.00.

The Gamewell Company is competing with us quite actively in the San Francisco Bay Area but on an outright sale basis. Because their systems are not acceptable to the Pacific Fire Rating Bureau for credits without an inspec-

tion-maintenance agreement, they are offering one year inspection contract with replacements and major repairs at the expense of the purchaser. This is a new approach on the part of Gar[illegible]ll—in this area at least—and we do not know whether they intend to continue the service beyond the one year.

[fol. 6403] Minneapolis-Honeywell Company:

Tri-Valley Packing Company, San Jose, California. Our basic ADSC for AFA, BA and IS was $22,995.00 and our basic ASC $8,321.00. We quoted an ADSC $16,096.00 and an annual of $6,656.00, based on previous experience with two local competitors and on information from the subscriber. Unbeknown to us, however, the Minneapolis-Honeywell people moved in on this solicitation—their first venture to our knowledge in the area—and submitted a fast figure on an outright sale basis which, we were subsequently advised by the prospect, was so ridiculously low they were afraid to delay its acceptance. We have been unable to determine the amount of the outright sale figure. The Minneapolis-Honeywell Company, we believe, is proceeding with the installation which will be auxiliarized to the San Jose Fire Department.

William Volker & Co., Phoenix, Arizona. With our letter of June 24, 1959 under the subject "Competition" we sent you a copy of the Minneapolis-Honeywell proposal to this San Francisco E/A account. We do not have a record of the amounts. We were not in position to make a proposal at that time.

Minneapolis-Honeywell has become increasingly active in this area during recent months, particularly in the San Jose—Santa Clara area. We have evidence of them quoting several jobs which we have under active solicitation. They are establishing a sales organization, we understand, for fire alarm services only and they recently had the Chief Engineer of the Pacific Fire Rating Bureau explain the rating schedules of his department to a Minneapolis-Honewell group.

We have active competition from several other sources throughout the District, i.e.

Pacific Fire Extinguisher Company, Reichel AFA—District-wise

California Burglar Alarm Company—DC FA and BA and Local BA—San Francisco Peninsula
Republic Alarm Company—DC FA and BA and Local BA—San Francisco Peninsula
American Burglar Alarm Company—C.S. FA and BA services—Bay Area
Acme Corporation—FA—District-wise
Pacific Auxiliary Fire Alarm Company, San Francisco, with a franchise for auxiliary fire alarm service
Protectowire Alarm Systems—District-wise

In obtaining these reports, I enlisted the assistance of all salesmen and asked their views and recommendations for counteracting competition, some of which are as follows:

1. "The N.F.P.A. manuals urge use of Central Station services wherever available. Insurance companies, however, tend to recognize Central Station AFA or DC AFA as equal insofar as credits are concerned. It is difficult to convince prospects that Central Station service is superior when the insurance carrier negates our contention."
2. It has been suggested that "Sales Representatives enlist to a greater degree support of Fire Chiefs and City management officials, stressing benefits of Central Station service to the City."
3. It has been suggested that "we lower the rates for DC services."

[fol. 6404] 4 In my opinion, competition is largely a matter of salesmanship. To combat competition we must have more factual information about our competitors. We should be well acquainted with their contract forms, have a general knowledge of their rates, equipment and the services furnished, financial responsibility, whether they replace their systems on account of obsolescence, damage by fire—at no cost to subscriber, and the nature of their, so-called, 24-hour repair service, etc.

We must also improve our sales techniques in the art of competitive selling. Our salesmen should be fully trained in the knack of competitive negotiations and of selling quality rather than price.

I am advocating in this District a greater exchange of sales ideas and of information among the salesmen, and I am considering occasional meetings specifically for this purpose.

I am sure that you have considered a system-wide sales training program administered and directed from your office, to be supported by the day to day assistance and training within the District.

Other companies engaged in the sale of competitive lines, with whom I have discussed sales training, consider such a program a must and a serious and continuing part of their sales plan.

This program would not, of course, supersede or detract in any way from the daily assistance the District Sales Manager gives to his men.

W. K. Francis, District Sales Manager.

WFK/ef

[fol. 6405] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT E8

BOSTON, MASS.

April 6, 1960.

Personal

Mr. L. J. O'Brien
General Sales Manager

Competition

In reply to your letter dated April 5th on the above subject, we are attaching a statement of jobs lost and an opinion on the extent and scope of this competition and our recommendations for counteracting it.

In addition to the items shown on the attached list, there is an attempt at this time by Notifier to interest the New Departure Division of General Motors in Bristol, Connecticut in a proprietary system to replace the existing ADT Central Station Night Watch Tour and Sprinkler Supervisory Service. There have been only two instances where the Minneapolis-Honeywell Company have successfully competed. The greatest difficulty we have is with the Gamewell (Auxiliary).

It would seem that all companies, with the exception of Gamewell, could successfully compete on proprietary systems, basically due to price, as in the case of Minneapolis-Honeywell. In the two instances indicated, we were advised that the charges for their systems, as compared to ADT were as high as three to one in their favor. They, too, have the added gimmicks of closed circuit television control for observation and in my opinion this particular setup will not cause us a great deal of lost revenue. As mentioned before, we do take quite a shellacking through the efforts of Gamewell. We hope that in the near future we may learn, insofar as the New England area is concerned, that such systems will be penalized in the insurance rate make-up so that we will have a stronger position competitively.

It is my understanding that the equipment used by most of the mentioned competitors are not considered to be in the same category as that furnished by ADT and I am reluctant to suggest that we attempt to lessen the quality of the equip-
[fol. 6406] ment but short of doing this, if there were ways and means of reducing our cost factor, it would help materially. Again, it evolves to the point where ADT has usually been considered to be worth somewhat more than a competitor's system but when the variance in charges are great we invariably lose the business.

R. T. Warner, District Sales Manager.

RTW:y

Name and Address	Service	Units	ADT Standard Adv.	ADT Standard Annual	ADT Proposed Adv.	ADT Proposed Ann.	Competitor's Adv.	Competitor's Annual	Competitor
The Stetson Shoe Co. Inc. 541 Main St., South Weymouth, Mass.	SSWF	8	$1,080.00	$770.00	$550.00	$580.00	$600.00		Gamewell
Raytheon Company Maynard, Mass.	BA	75	Special equip.		$18,000.00	$2,950.00	$500.00	$9,000.00	Minneapolis Honeywell
New England Woodenware Corp. Winchendon, Mass.	SSWF IP	17	$2,164.00	$1,122.00	$950.00	$600.00	$Unknown	None	Gamewell
Stop & Shop Inc. Dartmouth, Mass.	SSWF	3	$405.00	$675.00	$405.00	$675.00	Unknown		Gamewell
Atlantic Register (Renewal) Waltham, Mass.	SSWF	3		$450.00		$450.00	Unknown		Gamewell
Stop & Shop Inc. (Renewal) Medford, Mass.	WF	4		$550.00		$180.00	Unknown		Gamewell
General Electric Co. Burlington, Vt. (Out. Sale)	AFA Intrusion	—	$28,021.00	$899.25(Insp.)			——		Minneapolis Honeywell

In the case of General Electric Co. we learned that our quotation was almost two and one-half times that of Minneapolis Honeywell.

[fol. 6407] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT E9

WASHINGTON, D. C.

April 15, 1960.

Personal

Mr. L. J. O'Brien
General Sales Manager

Competition

When your letter of April 5th on the above subject was received we had scheduled a District Sales Department meeting and it seemed advisable to delay our reply until we had the opportunity to question our group of salesmen concerning recent competition with the four competitive companies mentioned in paragraph No. 1 of your letter.

During the meeting yesterday, we learned that none of the sales representatives in this District have been in competition since January 1, 1959 with either the Notifier Company or Spurling Fire Alarm Company.

Undoubtedly, Notifier has bid on a number of Government projects where the specifications were so wide open as to make it impractical for us to bid. We have no information regarding their prices.

The Spurling Company is, apparently, still confining its activities to the Southeast.

Minneapolis Honeywell is very active in this area in the solicitation of outright sales orders for residence fire alarm systems. We have, of course, not bid against them on any residence jobs and do not know what their prices are. From the attached list of jobs lost to competition, you will see that we have recently lost a few direct connected jobs to Minneapolis Honeywell and that their quotations are substantially below ours.

[fol. 6408] Also, please note the attached list of jobs reported to have been lost to Gamewell. I am confident that this list is far from complete and I have again admonished the salesmen with respect to the importance of reporting losses to competition, as well as those where we succeeded

in obtaining the contract in spite of competition. You will agree that it is contrary to the nature of the average salesman to submit reports covering losses to competition, despite the fact that we have done our best to emphasize the importance of such reports. In Pittsburgh, in particular, I am confident that since January, 1959, we have lost several jobs to Gamewell but have no reports covering them.

E. J. Heisley, District Sales Manager.

EJH/gb

[fol. 6409] Losses to Competitors

Minneapolis-Honeywell Co.

Washington County Museum of Art—Hagerstown, Md. ADT quoted on direct connected AFA BA $150.00 Adv. SC and $1200.00 per annum. Minneapolis-Honeywell quoted $5,000. Adv. SC and $250.00 per annum.

Ocean View Baptist Church—Norfolk, Va.
ADT quoted on direct connected AFA BA $1500.00 Adv. SC and $1,000.00 per annum. Kidde Atmo was reportedly well below us and Minneapolis Honeywell below Kiddie Atmo

Maryland Training School for Boys—Baltimore, Md. ADT quoted $1200.00 on outright sale of MFA. Minn. Honeywell was low bidder. Amount of their bid unknown.

Westinghouse Electric Co., Pittsburgh, Penna. ADT quoted on AFA $3,000. Advance and $1200.00 Annual. Minn. Honeywell quoted $4500.00 installation with no charge for monthly inspections. Charges for repairs on time and material basis.

Gamewell Company

S. Heironimus Co.—Roanoke, Virginia.

ADT quoted on DC WF (1 riser) $320.00 Adv. and $261.00 Annual. Gamewell sold outright at reported price of $300.00.

Southern Products Co. Richmond, Va. ADT quoted on CS WF (1 riser) $220.00 Adv. S. C. and $278.00 Annual S.C. Gamewell price unknown on auxiliary WF quoted on outright sale basis at about $675.00.

Hagerstown Rubber Co. Hagerstown, Md.

ADT quoted $850.00 Advance S C and $600.00 Annual on

DC WF. Gamewell sold auxiliary WF outright at about $1000.00.

Mason, Shaver & Rhodes, Irwin, Penna.

ADT quoted on DCWF $295.00 Advance S. C. and $450.00 Annual. Gamewell sold outright auxiliary WF system for $973.00.

Keswick Hospital, Richmond.

ADT quoted on SSWF MFA AFA $2,700. Advance and $1,900.00 Annual. Gamewell sold auxiliary system at price unknown, but reported to be half of our cost.

[fol. 6410] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT E10

AMERICAN DISTRICT TELEGRAPH COMPANY
Electric Protection Services
812 Huron Road, Cleveland 15, Ohio, Main 1-7490

April 25, 1960.

Personal

Mr. L. J. O'Brien
General Sales Manager

Competition

In reply to your letter of April 5, 1960, regarding the subject and the various companies mentioned, the following is the status of that particular competition in our various cities.

Akron—Canton

No jobs lost to any of the competitors mentioned in your letter. However, the Gamewell people are becoming very active in Massillon and Ravenna as the E. W. Bliss Co. of Canton has recently acquired the Gamewell Company and we are anticipating more activity in this area.

Youngstown

In negotiating for renewal agreement for Sprinkler Supervisory and Waterflow Alarm Service, Trumbull Supply & Manufacturing Company—SSWF, annual service charge $1800.00, was lost because of the outright purchase of Gamewell equipment—installation cost $2500.00, no annual service charge, connected direct to the city circuit.

Beaver Pipe Tool—21 units SSWF, was lost because of the outright purchase of Gamewell equipment—installation cost of approximately $3000.00, no annual service charge, connected direct to the city circuit.

Warren Tool—34 units SSWF, was lost because of the outright purchase of Gamewell equipment—installation cost of approximately $5600.00, no annual service charge, connected direct to the city circuit.

Cincinnati

Nothing lost to the competitors mentioned in the year 1959, or to date.

Cleveland

Minneapolis-Honeywell Company recently quoted on an Ultrasonic installation for Harry Jacobson, Inc., 1026 Euclid Avenue, Cleveland, Ohio. We were successful in securing a standard agreement, but were unsuccessful in securing definite cost or system proposed by Minneapolis-Honeywell. Attached is a brochure left them by the Minneapolis-Honeywell people.

[fol. 6411] Columbus

No jobs lost to any of the competitors mentioned, however, the Minneapolis-Honeywell people have, and are canvassing the general area.

Rochester

No jobs lost to any of the mentioned competitors, however, The Doyle Detective Agency, who use Spurling Alarm Company equipment, have been actively soliciting our accounts in this area. The Cities of Geneva and Batavia

are saturated with Gamewell and Notifier Alarm Company, and have been for the last fifteen years.

Buffalo

The principal competition is Frontier Electronics and they utilize the Walter Kidde Ultrasonics, Radar Eye, and Spurling Fire Alarm Sprinkler Supervisory Devices, and these services are connected to the McCall Telephone Answering Service. The Spurling Fire Alarm Devices are used by the Plastergon Wallboard Company. We were unable to secure their quotation.
The Minneapolis-Honeywell Company have sent out solicitation letters and brochures to all the principal industries in the Buffalo, Niagara Falls, and Jamestown area.

Dayton

To date our only contact with the aforementioned competitive companies cited involves only the Minneapolis-Honeywell Company. We called on the Riverside Tool & Die Company, 148 Walbrook Avenue, Dayton, Ohio, with a proposal for fourteen units of burglar alarm, including one photoelectric ray, annual service charge of $418.00 and an installation fee of $500.00, inasmuch as we assumed that our local competitor, Dayton Electronics, was also bidding on this job. MBR rates were $690.00 advance service charge and $636.00 annual service charge. The prospect informed us that we were entirely too high and he was calling in Minneapolis-Honeywell, and Minneapolis-Honeywell duplicated our proposed installation for an outright sale price of $475.00 and installed alarm receiving equipment in the subscriber's home, with the understanding that the subscriber would pay the Telephone Company the line costs of $4.00 per month. The Minneapolis-Honeywell people also approached the Liberal Markets with the possibility of taking over the service we now render to this extensive chain. Industry in this general area has also been solicited by mail and brochures.—Our approach in combating the aforementioned competitors, has been to point out the possible difficulties the subscriber would experience since most of these systems are not supervised and the possible expense that could accrue in case of necessity for repairs.

We have also pointed out that in the case of Minneapolis-Honeywell that this is a side line with them and that no service man would be available if necessary. Our biggest problem in combating the competitors has been the annual service charge as the competitors sell their equipment outright and most of the cities permit, and in fact install city circuits direct to their alarm transmitting devices, therefore, on the surface it appears very attractive money-wise.

As industry in this general area is decentralizing and relocating into smaller communities, it is becoming more and more necessary to combat the Gamewell people as most of the communities already use Gamewell boxes for fire alarm purposes.

A. S. Jacks, District Sales Manager.

ASJ/aw

[fol. 6412] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT E13

CLEVELAND, OHIO

June 7, 1957.

Mr. Brechbill

We should look into this, Lsez, C/14. (Handwritten)

Mr. L. J. O'Brien
General Sales Manager
New York Office

Re: Competition—Radar Eye Corporation

I notified you earlier that we had lost a couple of jobs in Buffalo to this competitor. I regret notifying you now that this competitor has successfully taken another job from us, namely, the Pallas Jewelry Co.

It so happens that another subscriber, a recent purchaser of our service, was also determined to cancel his contract with us and use the Radar Eye. However, through the persistent efforts of our Mr. A. W. Edwards the job has been saved, at least for the time being.

Very truly yours, C. L. Chafee, District Sales Manager.

CLC:VH

[fol. 6413] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT E14

CLEVELAND, OHIO

May 13, 1957.

Mr. Brechbill

Mr. L. J. O'Brien
General Sales Manager
New York Office

Competition

I am attaching, next, two copies of a newspaper clipping taken from the Buffalo Courier-Express issue of May 1, 1957 advertising the Radar-Eye burglar alarm service systems which is now located at 1139 Kenmore Avenue, Buffalo, New York.

Our Mr. A. W. Edwards lost a job to them, it being the Mill Bros. Junk Yard, and Mr. Halter, sales representative along with Mr. Edwards, reports that he has lost one job to them, namely a small drug store.

Both Mr. Edwards and Mr. Halter made inquiry of the competitor concerning Underwriters' Laboratories' approval. They were informed that the Lumbermen's and American Motors Insurance Co. were allowing 20% credit and, further, that they expected within a few days to have Underwriters' Laboratories approval.

We have also found out through Mr. Halter that the Norwood Service Agency, which is a telephone answering service, recently ran an ad announcing the Radar-Eye protection products and, further, that they were a distributor for western New York.

I was told in Buffalo, last week, that we have one of these devices on test and no doubt by this time you have come to some conclusions. Would you kindly inform me concerning this particular device.

Very truly yours, C. L. Chafee, District Sales Manager.

CLC:VH

[fol. 6414] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT E15

WASHINGTON, D. C.

April 17, 1957.

Folder

Mr. L. J. O'Brien

Competition—Radar-Eye

Reference to my letter of 3-6-57, we are constantly confronted with competition from the Radar-Eye Corporation and would appreciate receiving your report on the subject.

E. J. Heisley, District Sales Manager.

EJH:gb

[fol. 6415] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT E16

BOSTON, MASS.

March 8, 1957.

Mr. Bodley
A. E. Smith

Mr. L. J. O'Brien
General Sales Manager

Competition: Radar-Eye

We are attaching two items of material that should be of interest to you. These people are becoming quite active in this area and we have brushed against them in two or three negotiations, two of which resulted in lost jobs.

The equipment is sold on an outright sale basis of $395.00, with an installation charge from $25.00 to $50.00. Any maintenance required is done on a time and material basis.

This information was secured by our Mr. Rohlfing through the cooperation of a friendly insurance company contact.

R. T. Warner, District Sales Manager.

RTW:y

attachments.

[fol. 6416] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT E18

WASHINGTON, D. C.

March 6, 1957.

Mr. Bodley
Mr. A. E. Smith
Miss Philly

Mr. L. J. O'Brien
General Sales Manager

Competition—Radar-Eye

On several recent occasions we have come in contact with sales representatives in Washington and Richmond who are offering to sell outright the system described in the attached brochure for the sum of $395.00 per unit.

Last week we received a call from the owner of the Capital Fur Shop in Washington, who has been approached by the Radar-Eye salesman. We had some general knowledge of this particular development and were aware that our Engineering Department had been doing research on the possible use of radar for some years. Also, we understood that the Radar-Eye Corporation had approached us about buying their product some while back.

Because of the very active campaign in this area by the competitor, we would appreciate receiving our Engineering Department's report on their opinion and appraisal of this particular system. This will obviously be helpful to our sales representatives in combating this competitive threat.

E. J. Heisley, District Sales Manager.

EJH/dp

March 8, 1957

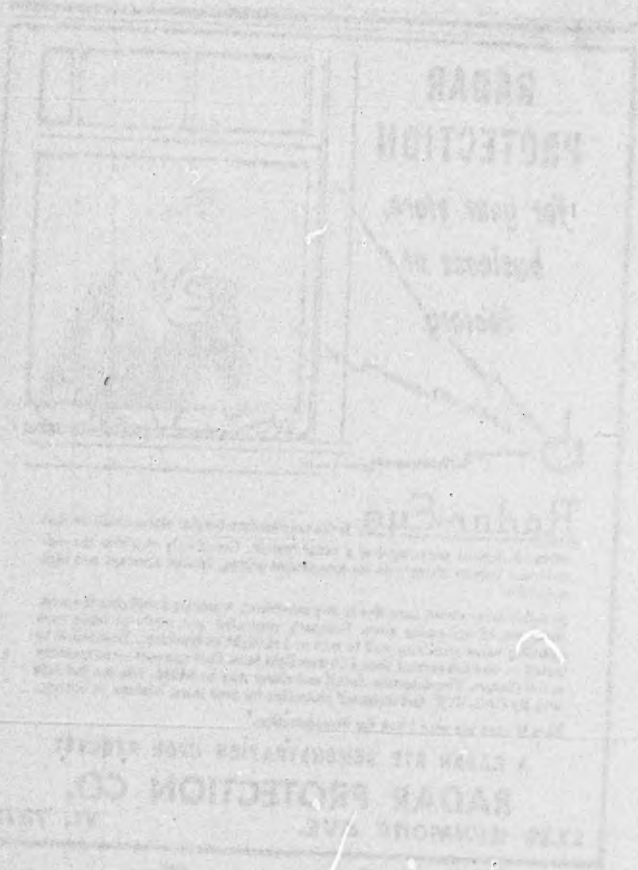
P.S. For your further information, a copy of Sales Representative Beckham's report of March 6 is attached.

[fol. 6417] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT E19

Buffalo Courier Express

JUL 11 1948



[fol. 6418] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT E22

DENVER, COLORADO

August 12, 1954.

Mr. W. W. Dooley, Comm'l Supt.,

Subject—Competition

Mr. Rollo Jacobs, Vice-Pres of the U. S. National Bank 'phoned Mr. Blank on Monday August 9th 1954 and requested him to attend a meeting at 2 PM on tuesday August 10th., When Mr. Blank and myself arrived at the meeting we met a committee of five officials, i.e., James J. Durkin, Cashier of The Colorado National Bank, H. L. Bullard, ass't cashier of the Denver National Bank, Lee C. Ashley, Cashier of the First National Bank, Rollo E. Jacobs, Vice Pres and Cashier of the U. S. National Bank and D. K. Binkley, Cashier of The Central Bank and Trust Company.

As you know I submitted a proposal for Phonelalarm, N&FA and Police Call service to Mr. Samuel P. Card, consultant engineer for the new U. S. National Bank building. Mr. Card is representing the U. S. National for all engineering projects, including protection. Naturally, I was aware of the fact that I had competition on this individual job, but I had no idea that Mr. Card had gone to all of the Banks in Denver, with the thought in mind, to convert all of our Central Station service to direct-connect to the Police Department.

Mr. Card opened the meeting with the statement that the above Committee had secured approval from Safety Director Geer to permit all Denver Banks to have their burglar alarm and police call service connected direct to the Police Department. Mr. Card cited several cities of direct-connect, especially, Kansas City and he was well acquainted with the situation in that city.

The Committee requested a quotation from us to connect our Central Station service direct to the Police department, they also asked the cost of our equipment to sell it outright, and also what are we going to do about our effective contracts, in event they buy competitive equipment.

I desire to impress on you the importance of this matter as I definately gained the impression that all concerned are very serious in their consideration of going to direct-connect for both Police Call and Vault protection. I also know that Diebold is making every effort to obtain this business. I believe the matter is sufficient import to justify some one who is more familiar with direct alarm competition to visit Denver as soon as possible to assist in this matter.

A. L. Kauffman, Comm'l Repr.

ALK

[fol. 6419] In United States District Court

Defendants' Exhibit E28

Camden, New Jersey

December 18, 1956.

Mr. E. J. Heisley, District Sales Manager
Washington 6, D. C.

Competition—First Camden National Bank
Broadway & Sycamore
Camden, New Jersey

Supplementing my letter of April 5th:

Diebold, Inc. is now installing equipment in the Camden Electrical Bureau. They have been granted permission by Commissioner Aaron. This will open the door for other burglar alarm companies to direct connect their systems in the same manner. We have been very fortunate in keeping these people from direct connecting their services until now.

Diebold will have three accounts as a starter.

First Camden National Bank—Broadway & Sycamore—Vault & PC

First Camden National Bank—Broadway & Mickle—PC

First Camden National Bank—Broadway & Market—PC

Diebold, Inc. is becoming active with the First Camden National Banks in this territory. As stated in my letter of April 5th, Mr. Scholz, Vice-President, is the cause of using

their services. They have used the Diebold before coming to Camden and have been satisfied with their services.

Should there be further developments, you will be advised.

W. E. Mauroschadt.

CC: Mr. F. T. Turner

Mr. A. J. O'Brien. This situation was reported to you and Mr. Bodley during my N. J. visit on Dec. 20. I have also discussed it with Mr. Authur Sullivan and we have tentative plans for a meeting in Camden next week. E. J. Heisley 1-3-5 (Handwritten).

Copy to Mr. A. W. Sullivan

[fol. 6420] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT E32

DETROIT 26, MICHIGAN

March 21, 1956.

Mr. A. E. Smith

Mr. L. J. O'Brien
General Sales Manager

Re: Competition—Diebold Bank Alarms

Last week, while in Jackson helping Mr. Crudgington on a deal with Macklin Company, he told me his experiences with the City Bank and Trust Company who use our services and whose contract is, or will be, up for renewal in the very near future. Mr. Crudgington told me that he understood from the banks that Diebold had solicited all the banks in Jackson, and had quoted them an installation cost on the main bank of $2,020 complete, for vault and police call protection.

Mr. Crudgington pointed out that he saw the contract and there was no question but what this was the price. This more or less substantiates what we have been trying to convey to the executive office from time to time that these peo-

ple are very active and that their prices are far below what we are supposed to get for Bankers Electric.

This competition is very rugged and in my estimation needs our every effort to retard and discourage their sales.

D. R. Hall, District Sales Manager.

DRH:ay

[fol. 6421] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT E36

HOLMES ELECTRIC PROTECTIVE COMPANY
370 Seventh Avenue
New York 1, N. Y.
Telephone Pennsylvania 6-8100

Mr. L. J. O'Brien

In your competitive file

H. C. Ward, President
G. F. Hoiles, Vice President
H. L. Humphreys, Treasurer
J. A. Mahoney, Auditor-Sec'y
C. K. Empringham, Sales Mgr.
L. H. Chase, Chief Engr.
J. G. Healey, Sup't. of Shops

August 30, 1955.

Mr. John Stephens,
Director of Diversification & Coordination,
American District Telegraph Company
155 Sixth Avenue, New York 13, N. Y.

Dear John:

You will recall my discussing with you the effort on the part of the Diebold-McClintock people with respect to Financial Institutions.

Enclosed is a copy of a letter they distributed to the banks in Philadelphia which I promised to send you.

Yours very truly, C. K. Empringham, Sales Manager.

Enc.

[fol. 6422] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT E48

SAN FRANCISCO, CALIFORNIA

August 9, 1954.

Mr. Schultz

Mr. E. B. White
Commercial Superintendent

Continental Can Company, Sacramento, California

Please be advised that Mr. Charles Christen, head of Fire Prevention and Maintenance for the above concern on the Pacific Coast, together with George Schaezlein, Manager, and James Bowman, Master Mechanic, both of the Sacramento Plant, held a most comprehensive discussion with the writer of the possibility of Continental adopting ADT Central Station Waterflow Alarm Service at Sacramento. Both Mr. Christen and Mr. Bowman were completely in accord with our proposal, but Mr. Schaezlein was emphatically opposed. His reason is that despite every possible statement made bringing out the superiority and advantages of ADT service, he feels it is not one whit better than Gamewell devices installed on all alarm valves, and connected to the American River Fire District through the municipal fire box across the street from the Continental plant. Of course, the cost of ADT service is the real reason, and fortunately, Mr. Schaezlein does not have final approval. Should Christen and Bowman recommend, and should Bob Post in Continental's New York office approve, our Waterflow Alarm proposal, involving an ASC of $620.00 and an ADSC of $1,220.00, will undoubtedly be accepted. We shall be advised shortly by Mr. Christen what recommendation he will make.

A Gamewell representative is now active in the American River Fire District area, and has called on several of our subscribers; McKesson Robbins and Zellerbach we are sure about, and of course, Continental. Chief Roark of this District is agreeable to unsupervised direct connected waterflow alarm service, through municipal boxes either pres-

ently installed, or to be installed by Gamewell. Auxilliary manual fire alarm service is now in effect at the Bercut-Richards plant, a very large one; the equipment, both at the Bercut-Richards plant and at the fire department, was presented to the Fire District by Tom Richards, to the best of [fol. 6423] my knowledge. Zellerbach is the only ADT Direct Connected subscriber who has not signed a Central Station Conversion contract, and it is extremely doubtful that they will do so. Zellerbach has under consideration a Gamewell proposal at the present time, with the resulting loss to us.

We have discussed this matter with Mr. W. K. Francis, to whom a copy of this letter is being sent. It seems to me advisable that we take immediate steps to do everything in our power to prevent any further direct connections from private plants to the American River Fire District. In view of our new Central Station, it seems to me we should act quickly.

Will you please advise Mr. Howard Schultz of our New York National Accounts Department the facts as brought out in the first part of this letter, so that he may be fully informed. Formal agreements will be prepared and sent through your office to Mr. Schultz as soon as we have secured the verbal or written approval of Mr. Christen. We shall follow the matter closely at this end.

Lynne Stora, Commercial Representative.

LS/eg

cc: Mr. W. K. Francis

[fol. 6424] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT E52

March 27, 1947.

Personal

Mr. H. C. Ward, President,
Holmes Electric Protective Company,
370 Seventh Avenue,
New York 1, N.Y.

Dear Mr. Ward:

Referring to your letter of March 26, 1947, we agree that the September 28, 1906 agreement and all agreements supplemental thereto shall have no force or effect as and from the date of your letter.

Cordially, E. A. Ward, President.

ME

[fol. 6425] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT E53

HOLMES ELECTRIC PROTECTIVE COMPANY
370 Seventh Avenue
New York 1, N. Y.

H. C. Ward
President

March 26, 1947.

Mr. E. A. Ward, President,
American District Telegraph Company,
155 Avenue of the Americas,
New York 13, N.Y.

Dear Mr. Ward:

As you know the agreement dated September 28, 1906, between our two companies in which we sold our watch signal business to you and you sold to us your burglar alarm

business within certain districts, contained certain provisions without time limit with respect to each business so sold. It seems to us that these continuing provisions have had little, if any, practical importance for some years and accordingly that it would be appropriate to bring them to a formal conclusion. It is proposed, therefore, that the September 28, 1906 agreement and all supplemental agreements thereto shall have no force or effect after the date of this letter.

I shall appreciate it if you would let me know whether this proposal is satisfactory to your company.

Very truly yours, H. C. Ward, President.

HCW:HF

[fol. 6426] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT E55

MINNEAPOLIS

November 27, 1956.

Mr. L. J. O'Brien
General Sales Manager
New York, New York

Certificate—Holdup Alarm Minneapolis District

Answering Mr. Young's letter of November 15, while we cannot specifically point to any negotiation that was lost by our failure to provide certification on standard Police Call, we have had, as previously reported, the occasional request from the subscriber or potential subscriber as to the classification of our standard Police Call. Also because of the entrance into the central station field, which is now being desired on the part of the Automatic Alarm Company in Minneapolis, we feel that we should be provided with all the competitive tools to combat his inroads into this phase of operation.

As you know, he certifies most of his local B.A.'s, and they get just as good a rating as our central station, percentagewise. Therefore, on general principle, if we can clear our

standard Hold-Up buttons for certification, I would strongly urge that we do so, particularly if the cost is nominal.

E. Turnbull, District Sales Manager.

ET:MT

Mr. Tom Young:

Believe this is yours. Ray B. 11-30-56. (Handwritten)

[fol. 6427] In United States District Court

Defendants' Exhibit E56

January 20, 1959.

cc: Mr. A. E. Smith
Mr. King Young
Mr. E. Turnbull

Mr. J. A. MacDonald
First Vice President

Southdale Shopping Center, Minneapolis, Minnesota

Through the thoughtfulness of ex-Plant Superintendent J. H. Wootton, the undersigned on December 29, was furnished with a copy of "Midwest Engineer" for November 1958, wherein the article entitled "Electronic System is 'Watchman'," described the proprietary protection system at the Southdale Shopping Center. A copy of the article is attached. Intrigued by the comprehensiveness of the project, I inquired as to whether we had a competitive file and found that one existed and contained a similar article from the "Toronto Financial Post" of October 25, 1958, describing and illustrating the system. Furthermore, Mr. Ray Brechbill had visited the shopping center and seen the system, and Mr. N. Carlson was familiar with the use of the detectors of the now virtually defunct Fire-Eye Corporation.

Since King Young, Gene Fuss, and I were planning to be in Minneapolis on January 12, I arranged with District

Sales Manager Turnbull to visit the shopping center and see the system. Sales Representative Bordereau joined us. We were received by Mr. O'Neill, Chief of Security, who freely described the system.

In connection with the fire alarm detection utilizing some 1,200 Fire-Eye detectors, it was acknowledged that many false alarms occurred from extraneous light such as flickering flourescent lamps, moving Venetian blinds, automobile headlights, etc. This has been partially overcome by reducing the sensitivity in the daylight when the average ambient light intensity is high. According to Mr. O'Neill, this was done automatically, but I am inclined to think that this is a natural characteristic of the circuitry when overloaded by nonvarying light. At night, as the article says, they have made a virtue out of necessity, by claiming that intruders with flashlights can be detected while prowling about the center. All this means that every fire signal must be investigated by the guard force before action is taken, resulting in very sloppy fire service.

The burglar alarm system is quite superficial and indeed, is really an entrance door supervisory arrangement. Microswitches are concealed in the hinge side of the door frame and actuated by spring loaded plungers which bear against the curved edge of the door. An opening of about 8" was needed to trip the switch. Underwriters' Laboratories requires an alarm from a 2" opening.

[fol. 6428] The control center is impressive. Two uniformed men are in attendance and all functions are clearly and impressively displayed on large annunciating panels.

The guards may talk to any area and conversely, listen in the same area. Hence, at night they can switch to various unoccupied locations and listen for trouble. The equipment used for this purpose bears the name of "Telecall," by Webster Electric. Exterior doors, of the roll-curtain type, can be controlled remotely to enable delivery trucks to enter after proper vocal identification.

Supplementing all of the above, a hundred or so "Security Telephone Stations" are strategically located for reporting fires and for other intercommunication purposes.

Despite the system's shortcomings, as measured by ADT's and other recognized standards, Mr. O'Neill and his associates seem completely satisfied with the system.

Another large shopping center is now under development in Minneapolis, and it too, will reportedly have a similar installation.

My reaction to this situation and its effect on ADT's prosperity and prestige, is not good. Regardless of how we represent Central Station service, we apparently lack something in this modern age of remotely located shopping centers. More on this subject is contained in my concurrent memorandum on the Minneapolis-Honeywell Data Center which was visited the following day.

Because of our historical position in the Central Station business and the training provided for it to our Sales Representatives, they appear to be ill equipped to cope with these trends for self-operated protection systems. Call them what you will, and recognizing that they fall short of our high standards of quality and relatively inflexible characteristics, their use seems to be enjoying ever increasing popularity. The Sales Engineering Division of this Department is well equipped through its extensive Government and other outright sale work, to engineer such protection systems for shopping centers and the like, employing standard ADT components and other familiar accessories assembled in a sophisticated and effectively pleasing manner.

[fol. 6429] I would strongly recommend, if the Company is interested in capturing this business, that a free and early exchange of information take place between the Sales Representatives and Engineers, with this objective in mind. Perhaps through such cooperation, ADT can extend its participation in providing signaling systems on a local or private scale and retain the spotlight which it so justly deserves. Mr. Warshaw and his staff will consider the challenge most stimulating.

M. H. A. Lindsay, Chief Engineer.

dg

Attach.

[fol. 6430] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT E57

ST. PAUL, MINNESOTA

June 20, 1956.

Mr. E. Turnbull
District Sales Manager
Minneapolis, Minn.

Re: Electro-Watchman, Inc.

I believe Mr. Brechbill misinterpreted my report on Electro-Watchman, Inc., possibly because I did not go into enough detail.

What I meant to say in my report was that Electro-Watchman was slowly getting the holdup alarm service in the St. Paul Banks. The reason for this, of course, is price. I haven't been able to pin their prices down definitely but, apparently, they compare with their other BA prices. In other words, installation would run about the same as ours but the annual service charge would be about $120.00 a year plus wire costs, for five (5) units or less.

In my report I referred to the new First State Bank. This is one of 82 branches in the 1st Group of Banks. Up until now we have had service in the two main banks in St. Paul and Minneapolis and the 1st State Bank of St. Paul. The rest of the branches are located throughout the 9th Federal Reserve District. There are sixteen 1st Banks in the Minneapolis-St. Paul area. In all of these banks they have local alarm systems, with the three above exceptions, which they have bought outright. As far as I know, they are all Diebold vaults and locals. The holdup alarm service in St. Paul has been furnished by Electro-Watchman, Inc.

Mr. Oberg, Vice President of the First State Bank, told me they had started planning their new bank three years ago and, at that time, we were dealt out of the picture by the Board of Directors. He stated the Board of Directors could see no reason for having different protection on this branch than the other branches. He also stated they had changed their mind on Electro-Watchman Holdup Alarm; now they have decided to get their holdup alarm from

Diebold and have signed the contracts. He said this was something new with the Diebold people but they felt it was better to have it run direct to the Police Department than to have it go through another party.

This is the same report we got from the Empire National Bank when we lost them. The Police Department says they aren't allowing any new connections, but I'm beginning to wonder.

I asked Mr. Oberg what we would have to do to get this business. He said, as far as he could see, there was nothing we could do because of the definite policy they had.

I am also enclosing a list of banks in the St. Paul area, showing the ones we have service with, type, etc. I think it will point up the fact that the banking people in this area feel locals are sufficient.

L. H. Pryor, Sales Representative.

LHP/an

enc.

[fol. 6431] Bank	Service Used
American National Bank	WS—BA—PC
Builders Trust Co.	
Capitol City State Bank	
Cherokee State Bank	
Commercial State Bank	BA
Drovers Exchange Bank	
Empire National Bank	
Falcon Heights State Bank	
First Grand Avenue State Bank	
First Merchants State Bank	
First National Bank	TOUR & EPC—BA—PC
First Security State Bank	
First State Bank of St. Paul	BA—PC
Highland Park State Bank	
Hillcrest State Bank	
Liberty State Bank	
Midway National Bank	AFA
Minnesota State Bank	
Northwestern State Bank	
Produce Exchange Bank	
St. Anthony Park State Bank	
Stockyards National Bank	
West St. Paul State Bank	
Western State Bank	

[fol. 6432] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT E58

ST. PAUL, MINNESOTA

May 29, 1956.

Mr. E. Turnbull
District Sales Manager
Minneapolis, Minnesota

Electro-Watchman, Inc., 728-730 East Seventh St.,
St. Paul 6, Minnesota

This company handles burglar alarm and some types of fire alarm systems. Their local alarms are eligible for a Grade "A" local certificate which they sell with a telephone answering connection. The installations appear sloppy but most of their customers, that I have talked to, say they have been getting good service and like to deal with them.

Price, I think, is one of the reasons they like to deal with them. Their installation charge is about the same as ours, but the annual runs much less than ours. On a straight local they charge a flat $5.00 a month for ten openings, plus $5.00 for each additional five openings. They raise to $10.00 a month plus wire on telephone answering connections. They do maintain the systems for the annual charge. They do not try to pass off the telephone answering service as Central Station.

Electro-Watchman, Inc., is owned by A. H. Vadnais, Lyle a. Vadnais and A. C. Hanke. They incorporated about a year ago when A. C. Hanke bought in.

They claim to have 700 BA alarms in St. Paul, 25 in Minneapolis and 2100 in the outstate area. Most of the equipment installed is of their own manufacture although they do buy some equipment from other concerns such as Reeves Co., Boston (formerly General Alarm).

I understand they have recently made very good progress in closing the Super Value stores for Grade A-3 Locals with safe contacts. They have also done a good job with their hold-up alarm connected to a telephone answering service. They are slowly getting all the banks in St. Paul.

In fact, they are getting the new First State Bank, which we have service with.

I am enclosing two peices of their advertising.

Automatic Alarm Corp.
Commerce Building
St. Paul 1, Minnesota

This company operates in both of the Twin Cities with the main part of their business in Minneapolis. They sell Grade "A" locals with a telephone answering connection which they call Central Station. Recently their proposals have advertised response by private guards; apparently, they have made a connection with one of the patrol services (Midwest Patrol Service). They install a good local alarm and, from what their customers say, gave good service. [fol. 6433] Their prices vary considerable but they seem to average out to about 50% of our charge for installation and 70% of our Central Station charge for the above described systems. On their straight locals they average $8.00 to $10.00 a month.

I also understand they are bidding on some fire alarm jobs in Minneapolis but, as yet, have not ran into that there.

This is all the information I have on them, but I understand Mr. Hanley is very familiar with their operation

Diebold, Inc.
2367 University Avenue
St. Paul, Minnesota

This company, of course, covers mostly banks and I am sure you are very familiar with them.

L. H. Pryor, Sales Representative.

LHP/an

encs.

[fol. 6434] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT E60

DETROIT 26, MICH.

Sept. 2, 1958.

Air Mail

Mr. L. J. O'Brien
General Sales Mgr.—Attention: Mr. Ray Brechbill

Re: McConnell Kerr Company, 1301 W. Lafayette Ave
Detroit 26, Mich.

The attached contract is one of the contracts I called you about last Friday explaining to you that this was an old account that had been with us 30 or 40 years and that because of the low values they carry they would not under any circumstances pay more than $50.00 a month for our services. They not only called in competition but also called the Reliance Alarm Company for a price on Local, and they had practically decided to take the Local instead of Central Station.

With these facts in view there was nothing we could do but accept this contract after talking with you. I believe I mentioned that the Plant told me there was absolutely nothing unusual about the installation and as installation and as indicated on the 401, they are using a minimum of 8 hours per unit. You will also note that practically all of the protection is foil, and since it is a direct line the cost of making the installation will be extremely low. It is necessary for me to release approval on the job, which I have done, but think best that you review and finalize the acceptance of the contract.

D. R. Hall, District Sales Manager.

DRH:ay

Att.

[6435] IN UNITED STATES DISTRICT COURT 4573

DEFENDANTS' EXHIBIT E61 Page 781

COMPETITION REPORT

REPORT NO. _____

TE Sept. 15, 1960 CENTRAL STATION CITY Grand Rapids, Mich.

SPECT'S NAME EBERHARD'S SUPER MARKETS

SPECT'S ADDRESS 234 Garden Street, Grand Rapids, Mich.

SS OF SERVICE IPS NO. OF UNITS 36

LOST LOST JOB SECURED _____

E OF COMPETITOR Local Telephone Answering Service - also supplying "canned" music to industrial plants, taverns, etc.

456 12 4437

ADT STANDARD CHARGES	
ANNUAL SERVICE CHARGE	ADVANCE SERVICE CHARGE
$ 2889.60	$ 3150.00 for 12 locations

ADT QUOTATION		COMPETITOR'S QUOTATION	
ANNUAL SERVICE CHARGE	ADVANCE SERVICE CHARGE	ANNUAL SERVICE CHARGE	ADVANCE SERVICE CHARGE
89.60	$ 3150.00	$ 36.00 per month $3.00 per store	$ Approx.$300.00 $25. per store*

wire rental; far below our rates with Mich. Bell Telephone Co. The maximum distan miles carries only $12. per mo. wire chg.

PROXIMATE SALES PRODUCTION HOURS CONSUMED 8

REMARKS

is a new competitor and we had no opportunity to, in any way, make another posal. Of course we could not possibly reach any price of $36.00 per year store for 3 IPS units and a transmitter. I am trying to find out if the pshide Company Engineering Dept. had any part in developing this setup for answering company. There is nothing to prevent them from taking all types of and even Burglar Alarms on this basis of $3.00 per month. I spent approximately . working up the details for this proposal, which was quite involved due to the sting cycle every 24 hours on each of the 30 odd refrigeration cases in store. The prospect's engineer, who approached us for help, insists that they fully supervise power failure and temperature just as we had planned. The ident of this Chain of stores is also President of the Spartan Stores where ve been in an argumet over insisting upon two units for taking a signal on locker room. If this works out in these Super markets, we stand a good chance ning the Spartan Store Service.

R. V. Haight
COMMERCIAL REPRESENTATIVE

COMMERCIAL SUPERINTENDENT

[fol. 6436] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT E69

BOSTON, MASS.

April 12, 1957.

Mr. Bodley

Mr. L. J. O'Brien
General Sales Manager

Competition—The Federal Burglar Alarm Company
Boston, Mass.

The attached clipping is sent as information. The Federal Burglar Alarm Company is a small local alarm company but apparently is going all out to increase in size. We have had an occasional brush with them and learn that their rates are very low.

R. T. Warner, District Sales Manager.

RTW:y

attachment-1.

[fol. 6437] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT E70

BOSTON 9, MASS.

January 8, 1958.

Mr. L. J. O'Brien,
General Sales Manager

Kennedy's, Inc., Portland, Maine, Hartford, Conn.,
Springfield, Mass., Worcester, Mass.

We are attaching a competition report on the Worcester location, which is self-explanatory.

The attached agreements are the result of long negotiations, and the best that we could do under the conditions. This subscriber has periodically cancelled a Central Station

contract and adopted local alarm equipment for economy purposes.

We recommend acceptance of the attached agreements, as written, in view of these conditions.

——, ——, District Sales Manager.

RTW:mm

attachments.

cc: Mr. T. E. Canane, Mr. R. A. Bewes, Mr. N. R. Brady, Mr. O. J. Curran

[fol. 6438] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT E71

BOSTON, MASS.

Sept. 12, 1956.

Mr. L. J. O'Brien
General Sales Manager

Kennedy's Inc., 66-70 Asylum Street
Hartford, Connecticut

In reply to your letter dated September 6th on the above subject, the following information is submitted for your use and guidance.

We are attaching a competition report that will indicate that this job was lost to a local alarm competitor, using a telephone answering service. There was no question of service involvements and was considered by the Boston Headquarters on a basis of costs. They have several stores in the immediate area using local alarm systems of one sort or another and it had been our custom to attempt to secure only a modest increase. Most of their contracts in effect at this time are sub-standard. This is due to their resistance of our efforts of renewals at increases.

We understand that our competitor in Hartford took this particular job at about $23.00 per month.

——, ——, District Sales Manager.

RTW:y

attachment-1.

Comp. Report #252.

[fol. 6439] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT E72

HARTFORD, CONNECTICUT

July 25, 1956.

Mr. R. T. Warner
District Sales Manager
Boston, Massachusetts

I talked with the local manager of Kennedy's today, and he informed me that the possibility of using a Local Burglar Alarm for their premises has been discussed with their executives several times in the past several months. The use of local alarm service was first considered when they received our renewal contracts asking for increase in rates.

They have now contracted with C.P.S. for Burglar Alarm Service, and I understand have signed a 10 year agreement. Installation to begin sometimes in the latter part of August. I was told (off the record) that the C.P.S. first proposed a complete installation for $1300.00 which was considered rather high, and as a result C.P.S. contacted them several days later with another proposition which would amortize the installation over a 5 year period. The contract now reads that they are to pay a service charge of $32.00 per month for the first 60 months and $17.00 per month for the next 60 months. This method would absorb the installation cost in the first 5 year period.

The Burglar Alarm when installed will be connected by direct wire to a headquarters which will receive alarms and telephone them over public telephone to the Police Department for handling. They do not send any one to investigate these alarms. There is also a local gong installed at the premises.

While they admit that they are not getting the service that they would get with A.D.T., they are satisfied that the protection will be adequate for their needs, and in addition save considerable over their present annual protection costs.

Very truly yours, N. R. Brady, Sales Representative.

NRB/q

[fol. 6440] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT E82

MINNEAPOLIS, MINNESOTA

January 18, 1963.

Mr. W. Hable
General Superintendent
New York, New York

Legislation Laws and Ordinances Passed by City Councils and State Legislatures Minneapolis District-Davenport—

Moline

Attached is a clipping and letter concerning the above subject which was received in this office today.

We will forward the minutes concerning the above when they are received.

Also enclosed is the clipping concerning recent legislation on the above in Moline.

E. J. Pucci, Service Superintendent.

br

[fol. 6441]

Night Eye

TIMES-DEMOCRAT

— 20 Pages

Newsstand Price 10 Cents

Davenport - Bettendorf, Iowa Saturday, Jan. 12, 1963
Dial 326-5111

New Device To Foil Burglars Installed For Davenport Cops

A new device designed to foil burglaries has been added at the Davenport Police Station.

The electronic signal system—known as the "Night Eye" —is manufactured by an Iowa City company!

A first unit to service 22 business firms has been set up on a wall near the police radio.

Subscribers to the system can have their buildings wired in a number of forms. Doors and windows could be tapped, for instances, or safes and cash boxes tied into the system.

When contact is made, a flasher is activated in police headquarters. The radio dispatcher then sends squads to investigate.

Chief Harvey Smith said, "It will now be possible to increase our effectiveness in deterring crime." No subscribers have been linked to the system yet, Smith said.

[fol. 6442] Something About Iowa City's Burglaries
By Edward Vaile

Iowa City, Ia.—About four years ago there was a serious rash of burglaries here. Elliott Full, chief engineer for radio station KXIC, did something about it.

An electrical engineer, Full had designed various types of electronic equipment. So he built a device that would detect and give an alarm in case of a break-in.

It was installed at the high school building and other places. Two groups of burglars were caught in the act and convicted.

Forms Firm

Last year he established a firm to manufacture and install the devices, the Night Eye Corp., of which he is president. Gene Claussen, manager of station KXIC, is vice president, and Scott S——r, Iowa City attorney, is secretary-treasurer. Newton Weller of West Des Moines is sales manager.

The Night Eye Detection devices now are in use in Iowa City, Cedar Rapids, Perry and Burlington and installations are scheduled in Newton and Iowa Falls.

The device, which is connected by leased wires to the city police station, provides warning of a hold-up, burglary, fire, power failure, shoplifter, boiler overpressure and other industrial hazards.

Installations in operation protect banks, manufacturing plants, schools and colleges, bottling works, warehouses, bowling alleys, dairies, taverns, rare coin collections, laundromats, residences, and furniture, jewelry, grocery, drug and sporting goods stores.

[fols. 6443-6444] Patent Sought

Full has applied for patents on his devices which are manufactured by the Hagen Electronics Co. of Iowa City. The device consists of sili—

[fol. 6445] In United States District Court

Defendants' Exhibit E84

Minneapolis, Minnesota

July 27, 1960.

Mr. L. J. O'Brien
General Sales Manager
New York, New York

Attention: Mr. Ray Brechbill,
Assistant to General Sales Manager

Competition—Cedar Rapids, Iowa

In connection with your letter of July 15, 1960 concerning the present status of the above, at the moment progress is being suspended because for the last two weeks or so we have been busy combating an effort on the part of at least two of our subscribers to get approval to take alarm systems into the fire headquarters. Again last week on Monday I had to make a special trip to Cedar Rapids to bolster Fire Chief Hunter's and Superintendent of Fire Telegraph Currell's resistance to such proposals.

Interocean Reinsurance Company a present subscriber to central station SSWF and IP services at a combined rate of $1032 per year is building a new building; and the architect wrote into the specifications an Authlectric Company System, specifying direct connection to the fire department. When Sales Representative K. A. Thul submitted his standard A.D.T. proposal for the building, he was advised without doubt the new system would be approved and they would have no need of A.D.T.

At about the same time, the Cherry Burrell Corporation

made an inquiry through Fire Chief Hunter as to how they could replace A.D.T. with a notifying system, taking the signals again into fire headquarters. Suffice to say, after several conversations as to providing Fire Chief Hunter with copies of the ordinance Fire Chief Hill of Sioux City used to keep out concerns from his fire headquarters, the matter at the moment is not completely decided.

[fol. 6446] The last advice from Fire Chief Hunter is that he will take a firm position that no foreign systems will be taken into fire headquarters. The Mayor and Council will back him 100 per cent; therefore, at the moment at least they do not intend to pass the ordinance. If, however, they get further demands from the industrialists of the city, they will immediately prepare and pass the city ordinance prohibiting any further connections to the city fire department.

Needless to say, Fire Chief Hunter and Superintendent of Fire Telegraph Currell know that unless this matter is decided in our favor there will be no free manual fire alarm boxes and transmitting service on behalf of the business people of Cedar Rapids that will be located in Lindale Plaza, the site of our latest Sears Store.

As the situation develops, I will keep you advised.

E. Turnbull, District Sales Manager.

ET:mh

CC—Mr. Geo. Simon.

[fol. 6447] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT E86

DETROIT 26, MICH.

Sept. 2, 1958.

Air Mail

Mr. L. J. O'Brien
General Sales Manager—Attn.: Mr. Ray Brechbill

Re: The Columbia-Western Corporation,
406 South Columbia St.
South Bend, Ind.

This is the second contract I talked to you about on Friday due to the sub-basic rate which Mr. Kerr was forced to take. I explained to you that the systems were at one time wet and we quoted on that basis, but after converting them to dry we came up with 12 units more protection to install, thus the sub-basic annual charge.

These people were extremely indifferent about using the service and more or less told Mr. Kerr, who relayed the information to me, that we could take it or leave it. It is a substantial contract annual service-wise with an exceptionally good credit risk, and it is needed very badly in our South Bend setup because of our recent expansion with a new independent office.

I asked you for permission to approve the job, but since receiving it in my office, I notice that Clause 16 has been added and I am at a loss to know whether or not this makes it a better contract or does it in reality more or less complicate the situation. In any event, I am sending it air mail so that you can review it and call me some time Thursday afternoon if it is not acceptable. I have to go to Saginaw to cover a job for Mr. Beckwith, who is on vacation, but will be back in the office Thursday afternoon.

It should also be noted and taken into serious consideration that Notifier was trying very hard to get this job. Up to now they have not been able to connect into the fire de-

partment, but we have been fearful for some time that this might happen.

D. R. Hall, District Sales Manager.

DRH:ay

Att.

Papers passed 9/5/58

[fol. 6448] In United States District Court

Defendants' Exhibit E89-1

Lumbermens Mutual Casualty—Company
Mutual Insurance Building
LOngbeach 1-8000
Chicago 40

January 30, 1956.

Holmes Electric Protective Co.
370 - 7th Ave.
New York, New York

Gentlemen:

F 53 597
Alemite Corporation and/or
Stewart Warner, Inc.
11-25 45th Avenue
Long Island, New York

This nation-wide risk is insured by our company for burglary and theft insurance. We need your help on the above location where we have had three losses. These losses have all been safe losses and we have now recommended to the insured that they install some bind of an alarm system, preferably one connected to a central station. The Chicago office of this company has suggested that your representative contact Mr. Nicholson. Frankly we don't know if a central station system is the answer. Possibly a local system will be satisfactory if a going is installed both outside and within the premises. Perhaps a local system is not practicable because of the location of the premises, but you will have to be the judge of this.

So far no merchandise has been taken in any of these burglaries. It may be that eventually the merchandise will become the target as long as the insured is installing better safe equipment each time we have a burglary.

Will you have your representative give us his comments after he has contacted Mr. Nicholson so we in turn can discuss this further with the Chicago office of this insured.

Very truly yours, C. A. Wiborg, Burglary, Underwriting Department.

261-7-482

[fol. 6449] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT E89-2

ATLANTA, GEORGIA

December 7, 1954.

Personal

Mr. A. E. Smith:

Police Department Competition—Atlanta, Georgia

There have been some recent interesting developments on the above subject and we are writing to bring you up to date in this regard.

A few weeks ago we were negotiating with Jacobs Pharmacy for a BA renewal at one of the 6 locations where they use our service. They objected strenously to the increase, stating that their business at this particular location had not progressed satisfactorily and that they were not in position to increase their operating costs in any way. The amount of increase was small and we thought that this was probably a normal defensive move on their part and continued the negotiation, finally resorting to a suggested progressive increase over the five year term. The subscriber still was not satisfied and advised that he proposed to contract for an Atlanta Police Department BA system. He then immediately wrote us a letter of cancellation.

I had been keeping in close touch with this negotiation and

contacted Police Chief Jenkins to determine what their position was in the matter. The Chief stated that no one from Jacobs Pharmacy had contacted him and that he had no knowledge of the matter.

Upon checking with the Police Communications Chief, however, Police Chief Jenkins learned that the Jacobs people had contacted this department direct and had been advised that they would install a Burglar Alarm for them.

A further discussion of this matter with Police Chief Jenkins indicated that he was not inclined to reverse the position taken by Mr. Gosser, in charge of the Communications Department, in this particular case. He seemed to feel that the action taken by the Police Committee in July still left the final decision up to his department. He showed me the minutes of the July 28th meeting where this matter was considered by the Committee and I then realized that because of a misunderstanding or carelessness on the part of the stenographer the action of the Police Committee, as I understood it, was not properly recorded and transmitted to Chief Jenkins.

I proceeded immediately to contact Commissioner Jesse Draper who was obviously disturbed and embarrassed by this development. He stated that the Committee had been unanimous in deciding not to take any more BA subscribers and that in our last discussion on the subject he had given me his word that not only would they cease from taking any new subject he had given me his word that not only would they cease from taking any new subscribers, but that they would seek some logical way to get rid of this operation without waiting on the long term law of attrition. Later on that same day Mr. Draper called me back, stating that he had conferred with his associates on the Committee, that their understanding and position was the same as his and that the Police Department was now definitely instructed as to the Committee's action and wishes.

[fol. 6450] The next development was a call from Jacobs Pharmacy expressing displeasure over the fact that the Police Department had reversed their position and would not install a Burglar Alarm for Jacobs. They felt, of course, that we were responsible for this development and appeared to be quite angry at first. We explained that their case had no real bearing upon it since the decision had been made

several months before. Nevertheless, they continued in a somewhat angry tone and, because of our other contracts with them, and our desire for reconciliation, we agreed to let the present contract on the Southwest Atlanta store perpetuate itself for one more year at the same rate. We believe that the Jacobs people will now go along with us and that the damage to good will with this account has not reached serious proportions.

Last week the premises of the Gate City Tobacco Company, where a Police Department BA is installed, were destroyed by fire. We understand that the Police Department BA did not operate, but this is of minor importance. The important development is that the Police Department has refused to entertain a contract for service with this company which plans to immediately rebuild at their present location. We are negotiating for a contract with them which should be signed promptly. They expressed the opinion that, based on their conversations with the Police Department, it is now the intention of that department to go out of the Burglar Alarm business entirely.

This, of course, is hearsay and we do not think it wise to press the matter any further with either the Commissioners or the Chief at the present time, but will endeavor to secure some verification later. Both Commissioner Jesse Draper and the Chief of Police seemed a bit embarrassed over the development with Jacobs Pharmacy and we believe it wise to mark time for the present in this matter. Also we are confident that the Chief would not be inclined to consider at this time anything other than absolutely essential Police Department business as his home was completely demolished by a tornado last Sunday night. I have, of course, written to Chief Jenkins expressing our deep concern over his misfortune and our wish that we could assist him in some manner.

We have always been under the impression that the City Attorney held the opinion that the City was not involving itself in any severe or serious liability hazard through this Police Department BA operation. This was more or less confirmed by the statements made during the July Police Committee Meeting by a representative of the City Attorney's office, who was present, but to whom I was not introduced. Special Representative J. J. Ward has had some re-

cent social contact with the City Attorney and, at my suggestion, asked for an appointment so that the two of us might discuss with the City Attorney the liability factors as so completely and forcefully outlined in Mr. J. A. MacDonald's letter of October 18th to Mr. Lindsay on the subject "Subrogation Suits By Insurance Companies." The City Attorney advised Mr. Ward that he would, of course, be quite willing to confer with us, but since he was not in favor of the Police Department BA operation, he felt that our proposed discussion was perhaps unnecessary. When informed as to the statements made by a representative of his office at the July Police Committee Meeting, he stated that he would certainly discuss the problem with his associates and inferred that he was on our side. I propose to also not press this matter further with the City Attorney at this time. We appear to be progressing satisfactorily toward our goal in this regard and I think our best plan is to remain quiet and permit the present trend to continue on its own.

E. J. Heisley, Commercial Superintendent.

EJH/bb

CC: Mr. L. J. O'Brien, Mr. E. C. Hille.

[fol. 6451] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT F16

June 24, 1963.

Mr. J. A. MacDonald
Vice Chairman of the Board

The Citizens & Southern National Bank, Atlanta, Georgia

One of the several subjects we discussed at luncheon on Friday, June 21st, concerned the loss of central station accounts to competition.

Attached are copies of pages 4 and 5 of the May 1963 Atlanta, Georgia forms 511 showing the discontinuance of central station service at The Citizens & Southern National Bank. I understand ADT's service was superseded by Diebold.

——, ——, Secretary.

ic

[Fol. 6459]

CHANGES IN RECURRING ANNUAL SERVICE CHARGES

FORM 511 (11-59)

OFFICE Atlanta, Georgia

MONTH May-1963 PAGE NO. 4

	Subscriber's Number 1	SUBSCRIBER'S NAME (LIMIT TO 18 TYPING SPACES) 2	Auditor's Number 3	Billing Code 4	Contract Expiration Date 5	Vocational Code Number 6	Number of Units 7	Annual Service Charge Per Contract 8	Regular Billing Period Charge 9	F.C.C. 10	Effective Date of Increase or Decrease 11	Amount Billed or Credited On This Month's Form 509 12	Amount Billed or Credited On Next Month's Form 509 13
1		Total Debits Bet. Fwd.							11979.31			7020.87	334.80
2		Total Credits Bet. Fwd.							13245.66			3031.44	5406.76
3	640	Cit Sou Bank	B-34728	A-12	12-66	1513	(8)	(294.00)	(294.00)		3-26-63	(200.84)	C-7494
4	640	"	B-37350	A-12	12-66	"	(10)	(462.00)	(462.00)		3-20-63	(323.19)	D-7506
5	640	"	B-25513	A-12	12-66	"	(6)	(270.00)	(270.00)		3-25-63	(185.13)	D-7507
6	640	"	B-34729	A-12	12-66	"	(6)	(270.00)	(270.00)		3-21-63	(188.14)	D-7508
7	640	"	B-25515	A-12	12-66	"	(5)	(246.00)	(246.00)		3-19-63	(171.61)	D-7509
8	640	"	B-31355	A-12	12-66	"	(7)	(294.00)	(294.00)		4-1-63	(196.00)	D-7510
9	640	"	B-19583	A-12	12-66	"	(3)	(222.00)	(222.00)		3-25-63	(152.26)	D-7511
10	640	"	B-34730	A-12	12-66	"	(8)	(318.00)	(318.00)		3-19-63	(223.33)	D-7512
11	640	"	B-34735	A-12	12-66	"	(6)	(270.00)	(270.00)		3-20-63	(188.88)	D-7513
12	640	"	B-34731	A-12	12-66	"	(6)	(294.00)	(294.00)		3-13-63	(211.30)	D-7514
13	640	"	B-34734	A-12	12-66	"	(5)	(246.00)	(246.00)		3-29-63	(166.02)	D-7515
14	640	"	B-25523	A-12	12-66	"	(6)	(246.00)	(246.00)		3-19-63	(172.76)	D-7516
15	640	"	B-25524	A-12	12-66	"	(5)	(246.00)	(246.00)		3-21-63	(171.42)	D-7517
16	640	"	B-34733	A-12	12-66	"	(7)	(270.00)	(270.00)		4-1-63	(180.00)	D-7518
17	640	"	B-34732	A-12	12-66	"	(8)	(318.00)	(318.00)		4-1-63	(212.00)	D-7519
18	Total Debits							42.62	11979.31			7020.87	334.80
19	Total Credits								17511.66			5971.37	5406.76
20	Net Total								(5532.35)			1046.50	(5071.96)

NOTE: EACH INDIVIDUAL SHEET, IMMEDIATELY UPON COMPLETION AND POSTING, SHALL BE FORWARDED TO THE AUDITOR.

FOR AUDITOR'S USE | BAT. FWD. PREV. NO. | TOTAL

4591

[fol. 6453]

4592

REMARKS:

3	408	3/12	Job	5478-63	Complete Misc.	
4	"	3/6	"	5460-63	"	
5	"	3/6	"	5480-63	"	
6	"	3/6	"	5473-63	"	
7	"	3/6	"	5482-63	"	
8	"	3/6	"	5479-63	"	
9	"	3/6	"	5483-63	"	
10	"	3/6	"	5476-63	"	
11	"	3/6	"	5477-63	"	
12	"	3/6	"	5471-63	"	
13	"	3/6	"	5470-63	"	
14	"	3/6	"	5484-63	"	
15	"	3/6	"	5485-63	"	
16	"	/6	"	5474-63	"	
17	"	/6	"	5475-63	"	

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MAY — 1963
REVENUE ACCOUNTING
BUREAU

[fols. 6454-6455]

CHANGES IN RECURRING ANNUAL SERVICE CHARGES

FORM 511 (11-51)

OFFICE Atlanta, Georgia

MONTH May-1963 PAGE NO. 5

Sub-scriber's Number 1	SUBSCRIBER'S NAME (Limit to 24 Typing Spaces) 2	Auditor's Number 3	Billing Code 4	Contract Expiration Date 5	Vocational Code Number 6	Number of Units 7	Annual Service Charge Per Contract 8	Regular Billing Period Charge 9	F.E.T. 10	Effective Date of Increase or Decrease 11	Amount Billed or Credited On This Month's Form 500 12	Amount Billed or Credited On Next Month's Form 500 13
	Total Debits Brt. Fwd.							11979.31			7020.87	334.80
	Total Credits Brt. Fwd.							17511.66			5974.37	5406.76
6440	Cit Sou Bank	B-25527	A-12	12-66	1513	(6)	(246.00)	(246.00)		3-25-63	(168.72)	D-7520
6440	"	B-20132	A-12	12-66	"	(4)	(222.00)	(222.00)		3-22-63	(154.08)	D-7497
6440	"	B-20133	A-12	12-66	"	(3)	(222.00)	(222.00)		3-25-63	(152.26)	D-7498
6440	"	B-34737	A-12	12-56	"	(5)	(294.00)	(294.00)		3-28-63	(199.22)	D-7502
6440	"	B-20135	A-12	12-66	"	(2)	(222.00)	(222.00)		3-11-63	(160.78)	D-7500
6440	"	B-25511	A-12	12-66	"	(3)	(246.00)	(246.00)		3-13-63	(177.48)	D-7501
6440	"	B-20138	A-12	12-66	"	(2)	(222.00)	(222.00)		4-3-63	(146.53)	D-7503
6440	"	B-25512	A-12	12-61	"	(3)	(246.00)	(246.00)		3-25-63	(168.72)	D-7504
6440	"	B-20140	A-12	12-66	"	(2)	(222.00)	(222.00)		3-6-63	(163.82)	D-7505
6440	"	B-20141	A-12	12-66	"	(2)	(222.00)	(222.00)		3-28-63	(150.43)	D-7506
6440	"	B-35151	A-12	12-66	"	(7)	(294.00)	(294.00)		4-18-63	(181.97)	D-7499
6440	"	B-37104	A-12	12-66	"	(6)	(270.00)	(270.00)		4-24-63	(162.68)	D-7495
6440	"	B-26886	A-12	12-66	"	(119)	(1056.00)	(1056.00)		5-1-63	(616.00)	D-5783
							3,984.00					
	Total Debits						1,226.00	11979.31			7020.87	334.80
	Total Credits						8,25000	21495.66			1477.06	5406.76
	Net Total							(9516.35)			(5543.19)	(5171.96)

NOTE: EACH INDIVIDUAL SHEET, IMMEDIATELY UPON COMPLETION AND POSTING, SHALL BE FORWARDED TO THE AUDITOR.

FOR AUDITOR'S USE: BRT. FWD. PAGE NO. TOTAL

4593

REMARKS:

Line # 3	408	3/6	J-5486-63	Complete Disc.
4	"	3/6	J-5487-63	"
5	"	3/6	J-5488-63	"
6	"	3/6	J-5467-63	"
7	"	3/6	J-5493-63	"
8	"	3/6	J-5489-63	"
9	"	3/6	J-5481-63	"
10	"	3/6	J-5490-63	"
11	"	3/6	J-5491-63	"
12	"	3/6	J-5492-63	"
13	"	3/6	J-5472-63	"
14	"	3/6	J-5469-63	"
15	"	3/6	J-5636-63	"

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REVENUE ACCOUNTING
BUREAU

4595

[fol. 6457]

FORM 701 (5-58)

COMPETITION REPORT

REPORT NO. ____

DATE March 7, 1963 CENTRAL STATION CITY Atlanta, Ga.

PROSPECT'S NAME Citizens and Southern National Bank

PROSPECT'S ADDRESS 27 Locations (Atlanta, Ga.)

CLASS OF SERVICE P.C. NO. OF UNITS 331

JOB LOST X JOB SECURED ____

NAME OF COMPETITOR Diebold

ADT STANDARD CHARGES

ANNUAL SERVICE CHARGE	ADVANCE SERVICE CHARGE
$	$

ADT QUOTATION		COMPETITOR'S QUOTATION	
ANNUAL SERVICE CHARGE	ADVANCE SERVICE CHARGE	ANNUAL SERVICE CHARGE	ADVANCE SERVICE CHARGE
$ 8226.00	$	$	$

APPROXIMATE SALES PRODUCTION HOURS CONSUMED ____

REMARKS

Subscriber requested changing his service from circuit type alarm to Direct Wire with additional P.C. buttons. This was brought about by a cable being cut by a hold up man and disabling hold up service. Subscriber advised that with installation Diebold was 60% of our price. Diebold will connect directly to the Atlanta Police Department.

C. W. Crooke
SALES REPRESENTATIVE

J. K. Scott
DISTRICT SALES MANAGER

[fol. 6458] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT F20

SEATTLE, WASHINGTON

March 5, 1964.

Mr. Ray Brechbill
General Sales Manager

Public Relations, Fire Department, Salt Lake City, Utah

Attached is a copy of a letter dated February 28, 1964, that I received from sales representative V. E. Doty, concerning a very touchy problem we have in Salt Lake City.

I am very familiar with the subject and pay my respects to Fire Chief Thompson each time I am in Salt Lake City. However, at the present time he feels it is preferable to have all signals come into their new fire alarm headquarters rather than central station service and this causes us many difficult sales problems.

We are hopeful in the near future he will see the light and possibly make a reappraisal of the over-all commercial fire alarm services.

W. J. Dahl.

WJD:MJ

Att.

cc: Mr. V. E. Doty.

[fol. 6459] SALT LAKE CITY, UTAH

February 28, 1964.

Mr. W. J. Dahl

Public Relations Fire Department, Salt Lake City

On Wednesday, February 26 a meeting was held in Chief Thompson's office. In attendance were Chief Thompson, Assistant Chief Don White, Mr. Yocom and myself. I requested the meeting because of developments involving a bid for automatic fire alarm service in the State Capitol Building.

The specifications were written in such a manner that it required trouble signals for the AFA system in the Capitol Building be transmitted to the Salt Lake City Alarm Office. When the specifications were received, I immediately discussed them with Mr. Glen Swenson, Director of the Utah State Building Board, wherein we requested an exception to the bid requirement. The exception was denied. Therefore, I did not submit a bid on this installation.

It was very clearly explained to Chief Thompson that we felt the city was in competition with ADT because of the nature of the installation which Notifier has made in their alarm office which enables trouble and testing signals to be received in the fire alarm office. However, Notifier does have a telephone answering service which takes care of all supervisory and trouble signals and takes necessary action for correction. Chief Thompson feels that it is not detrimental to them to receive trouble signals as they are not responsible for taking any action on them, but rather feels there is an advantage because it alerts them that trouble does exist on a particular fire alarm system. I asked him how he would feel if we were to transmit all of the ADT trouble and test signals to the fire alarm office, which would consist of possible several hundred signals per month. Chief Thompson stated that he would certainly not object, if we were desirous of installing a trouble light of signals in the alarm office.

The subject was brought up regarding the requirement that we install a Gamewell Recorder and at that time we were assured all competition did have to meet this requirement. Notifier, of course, did not install a Gamewell Recorder, but rather an annunciator panel. Assistant Chief White stated that the reason Notifier was not required to do this was because they were not financially able to invest this amount of money in the alarm office. We advised Chief White that we felt the city was in error in judging as to [fol. 6460] who was capable of making capital outlay for headquarters equipment.

We asked Chief Thompson what his position would be when it came to admitting other alarm companies to run service to the fire department. In other words, would new companies be required to install a Gamewell Recorder, or would each have individually designed equipment, and if

this happened, it was pointed out that a difficult hodge-podge of equipment would exist. Chief Thompson implied that any new company such as Minneapolis Honeywell would have to conform to present fire department standards, or in other words, that an annunciator panel of the type used by Notifier would be acceptable. Of course Minneapolis Honeywell would have to also run all tests and trouble signals to an answering service or to the central station.

Chief Thompson also expressed his opinion that it was better to run fire alarm service direct to the fire department from the subscriber with another line from the subscriber to an answering service, than to use the type of transmission peculiar to ADT; that is, from the subscriber to ADT central station, then re-transmit to the fire department. He feels that there is an unavoidable time loss involved on the re-transmission of signals.

We concluded our discussion on a very friendly level. However, I feel that we were unsuccessful in improving the situation as far as ADT versus competition in the alarm office is concerned.

A Competition Report on the AFA system for the Utah State Capitol Building has been prepared with what information we were able to get. Needless to say, it is very discouraging where competition prices for annual services are based at such a point.

V. E. Doty.

VED:mmr

4601

[fol. 6461]

FORM 701 (8-62)

COMPETITION AND/OR PRICE RESISTANCE REPORT

CHECK ONE: COMPETITION ☒ PRICE RESISTANCE ☐

SUBSCRIBER'S NAME: UTAH STATE CAPITOL BUILDING

STREET ADDRESS:

CITY AND STATE: Salt Lake City, Utah

REPORT NUMBER: 21-64

BOOK CITY: Salt Lake City, Utah

TYPE OF SERVICE(S): AFA

NUMBER OF UNITS: 62

VOCATIONAL CODE NO.-DESCRIPTION: 412-3 Capitol Bldg.

APPROXIMATE SALES PRODUCTION: NO/AS CONSUMED: 8

CONTRACT LOST: ☒ Not bid

CONTRACT SECURED: ☐

LOCATION OF INSTALLATION:	TYPE OF COMPETITOR'S CONTRACT:	TYPE OF ADT CONTRACT:
DOWNTOWN ☐	CENTRAL STATION ☐	NEW ☐
SUBURBAN ☐	DIRECT-CONNECTED ☒	SUPPLEMENTAL ☐
RURAL ☐	LOCAL ALARM ☐	RENEWAL ☐
INDUSTRIAL ☐	PROPRIETARY ☐	SUBSCRIBER UNDER ADT CONTRACT AT OTHER LO-CATION? YES ☐ NO ☒
COMMERCIAL ☐	TELEPHONE ANSWERING ☒	
INSTITUTIONAL ☐	UNKNOWN ☐	

SOURCE AND RELIABILITY OF INFORMATION

PERSON WITH WHOM ADT SALES REPRESENTATIVE DEALT: Olen Swensen

DID HE NAME COMPETITOR(S)? YES ☒ NO ☐

LIST NAME(S) OF COMPETITOR(S) GIVEN:

WAS COMPETITIVE QUOTATION WRITTEN ☒ ORAL ☐

HAD HE DEALT WITH HIM BEFORE? YES ☒ NO ☐

IF WRITTEN, DID HE SHOW IT? YES ☐ NO ☒

HOW LONG HAS HE KNOWN HIM? 2 years

(ATTACH COPY IF PROCURABLE)

COMPARISON OF CHARGES

List hereunder ADT MINIMUM BASIC RATE and successive bids, if any, by ADT and competitor(s). Number sequence of bidding and explain reasons for successive bids in REMARKS section below.

	ADT MBR	ADT QUOTATION	COMPETITIVE QUOTATION	COMPETITIVE QUOTATION
ANNUAL SERVICE CHARGE	See attached sheet			
ADVANCE SERVICE CHARGE				

REMARKS

Include hereunder any information not shown above, which bears on the negotiations and/or price specified.

The specifications were written on the basis of a Notifier service contract. It was required that signals including trouble and test signals be connected directly to the Salt Lake City Fire Alarm Office and a duplicate signal be transmitted to a Central Station or other answering service. A base bid for the installation price was requested together with a second quotation for monthly testing, maintenance and inspection program. Inasmuch as ADT could not meet the specifications to the signals to the alarm office, we requested an exception for a change to be made in the specifications, which change was denied. Therefore, ADT did not submit a bid, but we did attend the bid opening to obtain information on other bids submitted. The contract was awarded, of course, to the Minneapolis Honeywell Company for low bid. The company is presently having difficulty in satisfying the Salt Lake City Fire Department as to their qualification for rendering fire alarm service. It may be that because of this, the subscriber may call for new bids.

V. E. Doty — SALES REPRESENTATIVE — 1-2-64 — DATE

✓

W. F. Dahl — DISTRICT SALES MANAGER — 1/3/64 — DATE

[fol. 6462]

CONTRACTOR	BASE BID	ANNUAL CHARGE
Fire Protection Security Corp. (Notifier)	$ 26,925.00	$ 360.00
Acme Electric	22,640.00	115.00 except detector
Minneapolis Honeywell	18,700.00	768.00
ADT	24,950	6425.00

[fol. 6463] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT F42

ATLANTA, GEORGIA

September 23, 1963.

Received Sep 23, 1963.

Mr. J. K. Scott
District Sales Manager

Southern Burglar Alarm Co., Southern Detectives,
Atlanta, Georgia

In attempting to sell BA and SSWF to Davison-Paxon Company (R. H. Macey Subsidiary) at the new Columbia Mall Shopping Center location, I was advised by Mr. E. R. Michaels, Vice President that during preparation of preliminary plans and specifications, it was decided that ADT Central Station Service would not be used due to the fact that the above two companies working together are able to furnish comparable service at much less cost.

We were written out of the BA specifications but our proposal was given consideration for SSWF; however we were not successful.

As I understand it, Southern Burglar Alarm Company furnishes and installs all equipment, transmitting signals over leased telephone facilities into receiving equipment located in the Southern Detectives office.

Southern Detectives uses uniformed armed guards, and provide all standard Central Station guard response. Southern Burglar Alarm provides all maintenance, etc. All systems are on a lease-maintenance basis.

Ademco and Walter Kidde equipment is basically used for BA. Notifier for SSWF and AFA.

J. J. Hayden, Sales Representative.

JJH:ec

[fols. 6464-6465] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT F43

ROCHESTER, NEW YORK

Received, Apr 24, 1964, Dist. Sales Mgr., A.D.T. Cleveland

April 23, 1964.

Mr. W. C. Martin
District Sales Manager
Cleveland, Ohio

Re: Competition

Please be advised that we have recently discovered a new competitor in the Rochester area. This competitor's name is Chapin Security Corp., franchise distributor of International Safety Co. Inc.

This new company intends to be selling, on a leased basis, burglar alarm and fire alarm systems. It is our understanding that this company will be providing service at the local-alarm level.

We will keep you advised of any additional information, as it becomes available.

P. K. Labadie, W. J. Dow, Sales Representatives.

PKL:iw

Autocall-Howe®

PLANT PROTECTION SYSTEMS

An Autocall-Howe Plant Protection System is an installation combining fire alarm, watchmen reporting, waterflow alarm and sprinkler supervisory systems. They can be a combination of two or more of these systems. They also, in many instances, supervise various industrial operations. Known as proprietary protective signaling systems, they are owned and operated by the proprietor of the protected property. A central control station is located on the premises where all signals are electrically transmitted over self-supervising circuits.

Every establishment presents its own problems in the selection of signaling equipment for protection purposes. The number and class of occupants, size and location of buildings, construction and exits, and innumberable other individual conditions must be carefully considered before practical recommendations can be made.

The system provides the most practical method to assure constant operability of effective means for prompt transmission of alarms, affords centralized control and supervision of watchman, minimizes interruptions in continuity of processes, provides automatic advance warning of abnormal or dangerous conditions and furnishes centralized control and supervision of many important optional operations.

Autocall sales engineers, in principal cities, are trained in making protection surveys and are familiar with many applications of Autocall-Howe equipment for supervision of industrial operations. Their services are available without cost or obligation.

All Autocall-Howe Protective Signaling equipment is listed by the Underwriter Laboratories, Incorporated, and the Associated Factory Mutual Insurance Companies.

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Proprietary Systems which provide Fire Alarm, Door Entry, Supervision, Utility Supervision, Watch, Waterflow, etc.

Aircraft Engine Division (Ford Motor)	Chicago, Illinois
Alameda County Juvenile Detention Home	San Francisco, California
Alcoa Building	Pittsburgh, Pennsylvania
American Viscose Corporation	Marcus Hook, Pennsylvania
American Cyanamid Company	Bound Brook, New Jersey
Aero Products Operations (General Motors)	Vandalia, Ohio
Argonne National Laboratory	Chicago, Illinois
Avco Manufacturing Corporation	Nashville, Tennessee
Atomic Energy Commission (Dow Chemical Corp.)	Rocky Flats, Colorado
Bakelite Company (Canada) Ltd.	Ontario, Canada
Bakelite Company (Union Carbide and Carbon Corp.)	Ottawa, Illinois
Joseph Bancroft and Sons Company	Wilmington, Delaware
Bell Telephone Laboratories, Inc.	Murray Hill, New Jersey
	New York, New York
Benicia Arsenal	Benicia, California
Boeing Airplane Company	Wichita, Kansas
Brooklyn Union Gas Company	New York, New York
Buick Motor Division (General Motors)	Willow Springs, Illinois
Buick, Oldsmobile, Pontiac Division (General Motors)	Arlington, Texas
	South Gate, California
	Wilmington, Delaware
Carrier Corporation	Syracuse, New York
Carbide and Carbon Chemicals Company (Union Carbide and Carbon Corp.)	Institute, West Virginia
	Louisville, Kentucky
	Montreal, Canada
	Seadrift, Texas
	South Charleston, West Virginia
	Torrance, California
J. I. Case	Whiting, Indiana
	Racine, Wisconsin
Caterpillar Tractor Company	Aurora, Illinois
	Decatur, Illinois
	Joliet, Illinois
	Mossville, Illinois
	Peoria, Illinois
	York, Pennsylvania
Chance Vought Aircraft (United Aircraft Corp.)	Dallas, Texas
Chase Brass & Copper Company, Inc.	Waterbury, Connecticut
	Cleveland, Ohio

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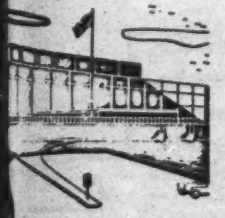
rietary Systems which provide Fire Alarm, Door Entry, Sprinkler
rvision, Utility Supervision, Watch, Waterflow, etc.

The Chemstrand Corporation	Decatur, Alabama
Chevrolet Motors Division (General Motors)	Atlanta, Georgia
	Flint, Michigan (2 pl
	Janesville, Wisconsi
	Kansas City, Misso
	Livonia, Michigan
	St. Louis, Missouri
	Tonawanda, New Yo
	Warren, Michigan
	Ypsilanti, Michigan
Chevrolet Engineering Center	Detroit, Michigan
Chevrolet Foundry	Massena, New York
Chevrolet Parts Warehouse	St. Louis, Missouri
Chevrolet Supply Depot	Atlanta, Georgia
	Flint, Michigan
Chicago, Milwaukee, St. Paul and Pacific Railroad Company	Milwaukee, Wisconsi
Cleveland Museum of Art	Cleveland, Ohio
Cleveland Twist Drill Company	Cleveland, Ohio
Colgate, Palmolive Company	Berkeley, California
	Jeffersonville, Indian
	Kansas City, Kansas
Commonwealth Edison Company Fisk Station	Chicago, Illinois
Congoleum-Nairn, Incorporated	Marcus Hook, Penns
Consolidated Aircraft Corporation	Fort Worth, Texas
	San Diego, Californi
Decatur Signal Depot	Decatur, Illinois
Delco Products (General Motors)	Dayton, Ohio
	Kettering, Ohio
Ditzler Color Division (Pittsburgh Plate Glass Company)	Detroit, Michigan
Douglas Aircraft Company, Inc.	Long Beach, Californ
	Tulsa, Oklahoma
Eastland Regional Shipping Center	Detroit, Michigan
Erie Mining Company	Aurora, Minnesota
Euclid Road Machinery Company	Cleveland, Ohio
	Hudson, Ohio
Fairbanks-Morse & Company	Beloit, Wisconsin
Federal Reserve Bank	Chicago, Illinois
	Detroit, Michigan
	Los Angeles, Californ
	Louisville, Kentucky
	Portland, Oregon
	Salt Lake City, Utah
	Washington, D. C.



[fol. 6469]

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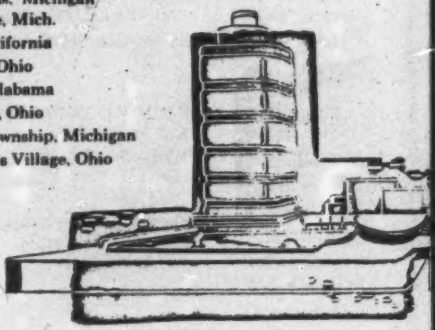
Proprietary Systems which provide Fire Alarm, Door Entry, Sprinkler Supervision, Utility Supervision, Watch, Waterflow, etc.

Fibreboard Products, Incorporated	Antioch, California
The Firestone Tire & Rubber Company	Pottstown, Pennsylvania
Fisher Body Division (General Motors)	Atlanta, Georgia
	Baltimore, Maryland
	Cleveland, Ohio (2 plants)
	Detroit, Michigan
	Flint, Michigan (2 plants)
	Grand Blanc, Michigan
	Grand Rapids, Michigan (2 plants)
	Hamilton, Ohio
	Janesville, Wisconsin
	Kansas City, Missouri
	Lansing, Michigan
	Livonia, Michigan
	Los Angeles, California
	Mansfield, Ohio
	Marion, Indiana
	Norwood, Ohio
	Pittsburgh, Pennsylvania
	Pontiac, Michigan
	St. Louis, Missouri
	Tarrytown, New York
	Warren, Michigan
Ford Motor Company Office Building	Detroit, Michigan
Central Staff Building	Dearborn, Michigan
Ford Motor Company (Plants)	Detroit, Michigan
	Chicago, Illinois
	Indianapolis, Indiana
	Lima, Ohio
	Lorain, Ohio
	Louisville, Kentucky
	Mahwah, New Jersey
	Milpitas, California
	Mt. Clemens, Michigan
	Rawsonville, Mich.
	Riveria, California
	Sandusky, Ohio
	Sheffield, Alabama
	Sharonville, Ohio
	Sterling Township, Michigan
	Walton Hills Village, Ohio



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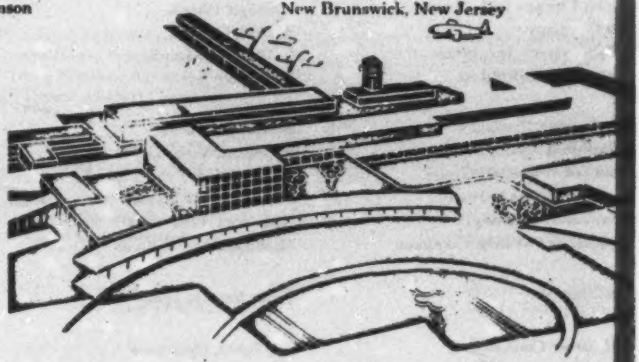
Proprietary Systems which provide Fire Alarm, Door Entry, Sprinkler Supervision, Utility Supervision, Watch, Waterflow, etc.

Frigidaire Division (General Motors)	Dayton, Ohio
Fruit Growers Supply Company	Susanville, California
General Accounting Office Building	Washington, D. C.
General Cable Corporation	Perth Amboy, New Jersey
	Rome, New York
General Dynamics Corporation (Convair Division)	Palmdale, California
General Electric Company	Cleveland, Ohio
	Cincinnati, Ohio
	Louisville, Kentucky
	Lynn, Massachusetts
	Salem, Virginia
General Motors Products of Canada, Ltd.	Oshawa, Ontario
General Motors Technical Center	Warren, Michigan
Gentile Air Force Depot	Dayton, Ohio
Golden Gate Baptist Theological Seminary	San Francisco, Calif.
Greater Pittsburgh Airport	Pittsburgh, Pennsylvania
Great Northern Paper Company	Millinocket, Maine
Hammond Redwood Company	Samoa, California
Hershey Chocolate Corporation	Hershey, Pennsylvania
J. L. Hudson Company (Northland Center)	Detroit, Michigan
Hughes Aircraft Company	Tucson, Arizona
Imperial Oil Office Building	Toronto, Canada
International Business Machines	Rochester, Minnesota
International Harvester Company	Broadview, Illinois
	Louisville, Kentucky
	Melrose Park, Illinois
Ionia State Hospital	Ionia, Michigan
Iowa State College	Ames, Iowa
Johnson & Johnson	New Brunswick, New Jersey



Proprietary Systems which provide Fire Alarm, Door Entry, Sprinkler Supervision, Utility Supervision, Watch, Waterflow, etc.

Kearney & Trecker Corporation	Milwaukee, Wisconsin
Kimberly-Clark Corporation	Niagara, Wisconsin
	New Milford, Connecticut
Leeds & Northrup	North Wales, Pennsylvania
Lincoln Division (Ford Motor)	Novi, Michigan
Lincoln Mercury Division (Ford Motor)	Romulus, Michigan
	Wayne, Michigan
Station Wagon Plant	Wayne, Michigan
Linde Air Products Company	Long Reach, West Virginia
Lockheed Aircraft Corporation	Burbank, California
	Palmdale, California
Loveman, Joseph & Loeb	Birmingham, Alabama
Mandel Brothers	Chicago, Illinois
Marathon Corporation	Menasha, Wisconsin
The Martin Company	Denver, Colorado
Massachusetts Institute of Technology	Cambridge, Massachusetts
Mayfair Shopping Center	Milwaukee, Wisconsin
McCloud River Mercantile Company	McCloud, California
Meier & Frank Department Store	Salem, Oregon
Montgomery Ward & Company	Chicago, Illinois
Moraine Products	Dayton, Ohio
The Murray Corporation of America	Detroit, Michigan
Nash Motors Division (Nash-Kelvinator Corporation)	Kenosha, Wisconsin
National Cash Register Company	Dayton, Ohio
North American Aviation, Inc.	Columbus, Ohio
	Canoga Park, California
	Downey, California
	Inglewood, California
	Palmdale, California
Northrop Aircraft, Incorporated	Palmdale, California
O'Hare Field, Chicago Intl. Airport	Chicago, Illinois
Ohio Brass Company	Mansfield, Ohio
Old Age & Survivors Insurance	Baltimore, Maryland
Oregon State Capitol Building	Salem, Oregon
The Pacific Lumber Company	Scotia, California
Pentagon Building	Arlington, Virginia
Philadelphia International Airport	Philadelphia, Pennsylvania
Pittsburgh Plate Glass Company	Milwaukee, Wisconsin
Port of New York Authority	New York, New York
Pullman Standard Car Mfg. Company	Michigan City, Indiana
Quaker Oats Company	Cedar Rapids, Iowa
Red River Lumber Company	Red River, California

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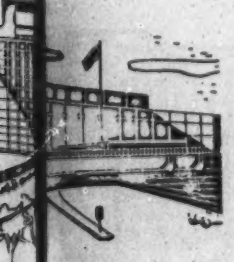
[fol. 6472]

Fire Alarm

Allentown State Hospital	Allentown, Pennsylvania
Butler State Sanatorium	Butler, Pennsylvania
Carbide and Carbon Chemicals Company (Union Carbide & Carbon Corp.)	Texas City, Texas
Cheyney Training School for Teachers	Cheyney, Pennsylvania
Chicago Dearborn Street Subway	Chicago, Illinois
Chicago Vocational School	Chicago, Illinois
City College of San Francisco	San Francisco, California
Contra Costa Junior College	Contra Costa, California
Cresson State Tuberculosis Sanatorium	Cresson, Pennsylvania
College of Holy Names	Oakland, California
Danville State Hospital	Danville, Pennsylvania
East Stroudsburg State Teachers College	East Stroudsburg, Pennsylvania
Edward R. Johnstone Training and Research Center	Bordentown, New Jersey
Fairmont Hospital	Alameda, California
Hamburg State Tuberculosis Sanatorium	Hamburg, Pennsylvania
Harrisburg State Hospital	Harrisburg, Pennsylvania
Highland Hospital	San Francisco, California
Indiana State Teachers College	Indiana, Pennsylvania
Kutztown State Teachers College	Kutztown, Pennsylvania
Laurelton State Village	Laurelton, Pennsylvania
Lock Haven State Teachers College	Lock Haven, Pennsylvania
Los Angeles Juvenile Hall	Los Angeles, California
Marathon Southern Corporation	Naheola, Alabama
Marquardt Aircraft Company	Ogden, Utah
Mont Alto State Tuberculosis Sanatorium	Mont Alto, Pennsylvania
Napa High School & Junior College	Napa, California
Norristown State Hospital	Norristown, Pennsylvania
Pennhurst State School	Pennhurst, Pennsylvania
Pennsylvania Soldiers Orphan School	Scotland, Pennsylvania
Pratt & Whitney Aircraft Division (United Aircraft Corp.)	East Hartford, Connecticut
San Francisco Junior College	San Francisco, California
Selinsgrove State Hospital	Selinsgrove, Pennsylvania
Thaddeus Stevens Trade School	Lancaster, Pennsylvania
Torrance State Hospital	Torrance, Pennsylvania
Warren State Hospital	Warren, Pennsylvania
West Chester State Teachers College	West Chester, Pennsylvania



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Power Plant Supervision

Atomic Energy Commission	Paducah, Kentucky
Bonneville Power Administration	Portland, Oregon
Diablo Dam	Rockport, Washington
Santee-Cooper Powerhouse	Santee-Cooper, Washington
Tennessee Valley Authority	21 Powerhouse Plants
Toledo Edison Company	Toledo, Ohio
U. S. Corps of Engineers	4 Powerhouse Plants

Oil Filled Cable Supervision

Brooklyn Edison Company, Inc.	Brooklyn, New York
Cincinnati Gas & Electric Company	Cincinnati, Ohio
Commonwealth Edison Company	Chicago, Illinois
Consolidated Edison Co. of New York, Inc.	New York, New York
Philadelphia Electric Company	Philadelphia, Pennsylvania
Potomac Electric Power Company	Washington, D. C.
Public Service Electric & Gas Company	Newark, New Jersey
United Electric Light Company	Springfield, Massachusetts
Western Massachusetts Electric Company	Springfield, Massachusetts
Wisconsin Electric Power Company	Milwaukee, Wisconsin
Yonkers Electric Light & Power Company	New York, New York

A. C. Network Supervision

Cincinnati Gas & Electric Company	Cincinnati, Ohio
Commonwealth Edison Company	Chicago, Illinois
Duquesne Light Company	Pittsburgh, Pennsylvania
Esso Standard Oil Company	Baton Rouge, Louisiana
Potomac Electric Power Company	Washington, D. C.
San Francisco Naval Shipyard	Hunters Point, California

Tow Service and Fire Alarm

Richmond-San Rafael Bridge	San Francisco, California
San Francisco-Oakland Bay Bridge	San Francisco, California

Guard Report, Riot Call and Fire Alarm

Holmesburg Prison	Philadelphia, Pennsylvania
New Jersey State Prison Farm	Bordentown, New Jersey

Door Entry

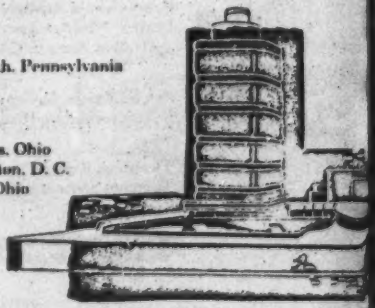
Circle Wire & Cable Corporation	Maspeth, New York
Commonwealth Edison Company	Chicago, Illinois

Car Schedule Reporting

Pittsburgh Railways Company	Pittsburgh, Pennsylvania

Sub Station Supervision

Columbus & Southern Ohio Electric Company	Columbus, Ohio
Potomac Electric Company	Washington, D. C.
Toledo Edison Company	Toledo, Ohio



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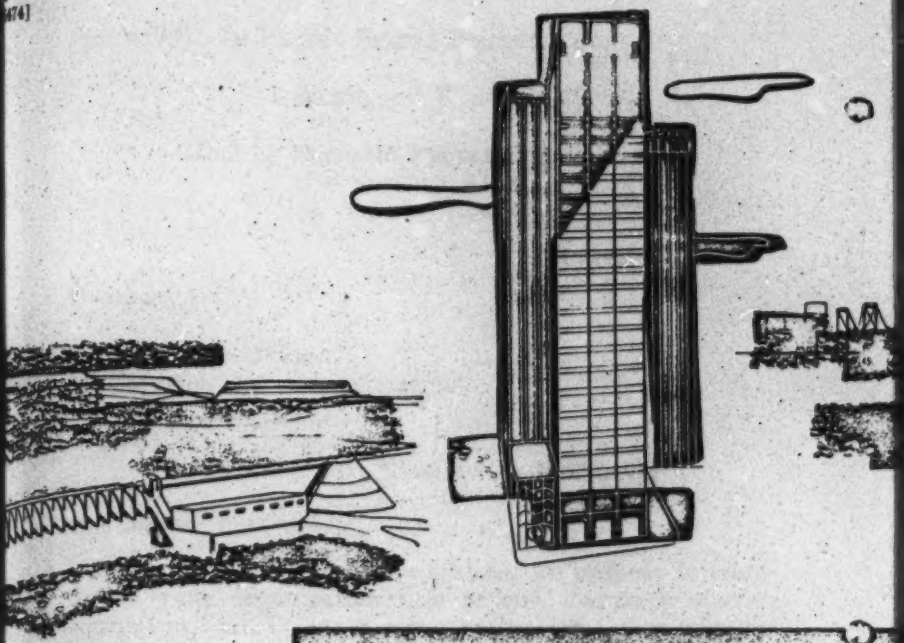

AUTOCALL REPRESENTATIVES
ARE LOCATED IN THE FOLLOWING CITIES

Atlanta, Georgia	Los Angeles, California
Boston, Massachusetts	Memphis, Tennessee
Buffalo, New York	Milwaukee, Wisconsin
Chicago, Illinois	Minneapolis, Minnesota
Cincinnati, Ohio	New York, New York
Cleveland, Ohio	Oklahoma City, Oklahoma
Columbus, Ohio	Philadelphia, Pennsylvania
Dallas, Texas	Phoenix, Arizona
Detroit, Michigan	Pittsburgh, Pennsylvania
Houston, Texas	St. Louis, Missouri
Kansas City, Missouri	Salt Lake City, Utah
	San Francisco, California
	Simsbury, Connecticut

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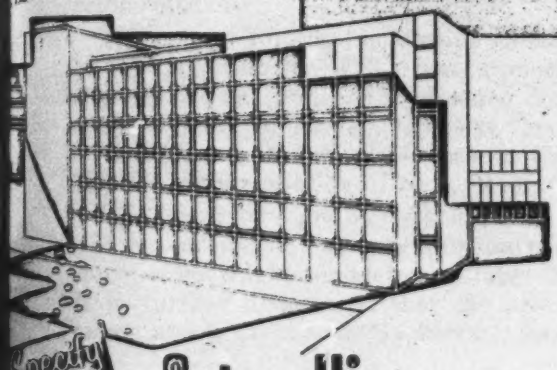

Speedy

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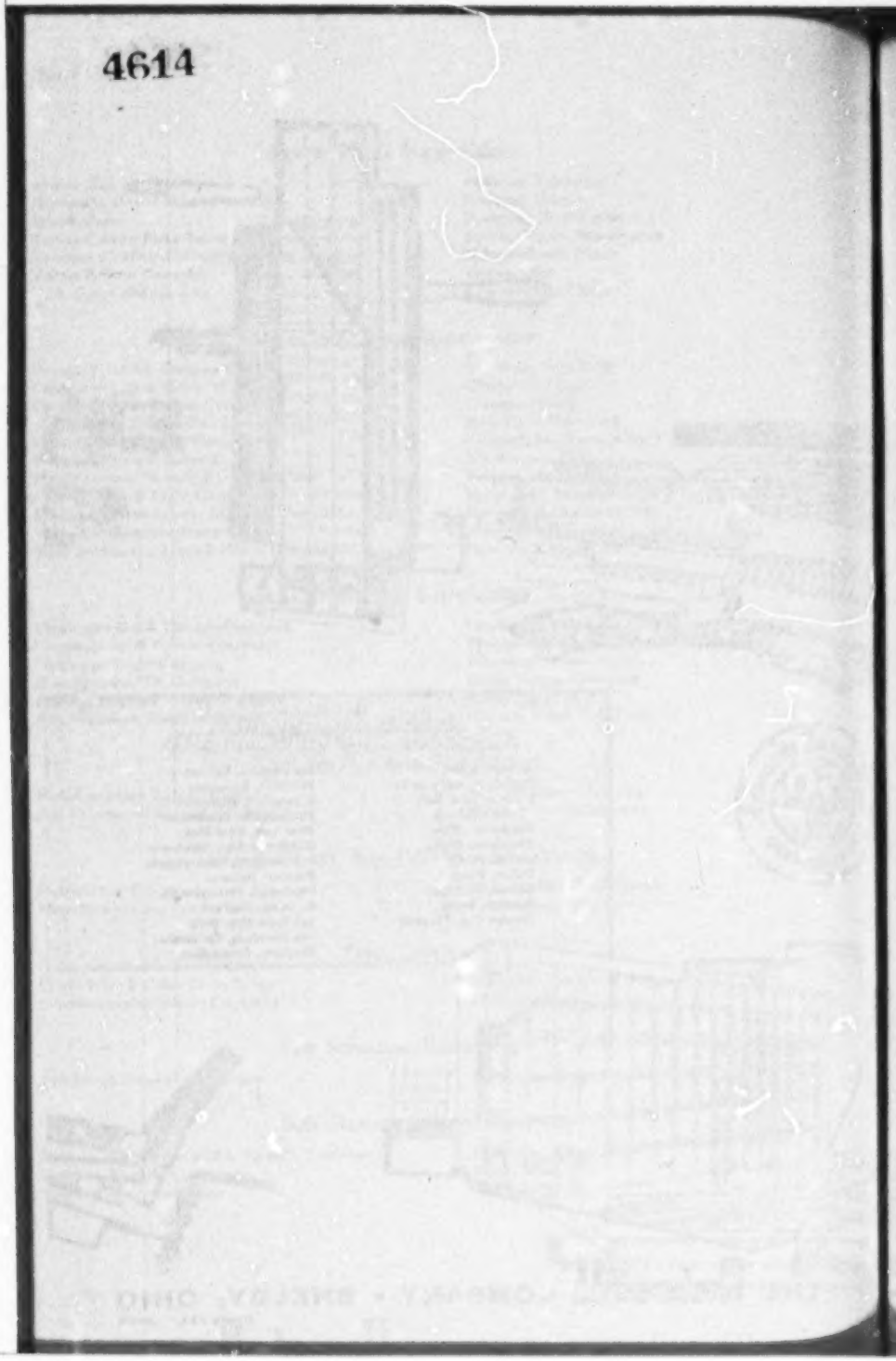
Printed in U.S.A. AH-6-59



[fol. 6475] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT H5

HOLMES ELECTRIC PROTECTIVE COMPANY
370 Seventh Avenue
New York 1, New York

August 31, 1959.

Company.

Howard Stores, Inc.
40 Flatbush Avenue Extension
Brooklyn, New York

Attention: Mr. Kenneth V. McCluskey

Gentlemen:

In line with our recent discussions, we propose to transfer to your organization title to our electric protective equipment (except our control instruments) now installed in your Philadelphia and New York retail stores, on October 1, 1959.

We further propose to convert these installations to local alarm systems which will be maintained and operated by you. For this purpose, we will furnish and install the necessary local alarm equipment. As explained to Mr. McCluskey, however, these local alarm systems will not qualify for the issuance of any Underwriters' Laboratories' certificates.

The charge for the installation in each retail store will be $250.00, exclusive of any taxes applicable thereto. These charges are based on the work being done by our own men only, Monday to Friday, inclusive, between the hours of 8:00 A.M. to 5:00 P.M. In no case is this charge to exceed $250.00 for installation of each store.

It is understood and agreed that the work outlined above will be carried out as promptly as possible and that all conversions will be completed not later than October 1, 1959. It is further understood that the existing service agreements and present monthly service charges will terminate

the day each system is converted, but, in no case, later than October 1, 1959 providing, of course, that our men are given free and ready access to the above stores during regular business hours. If it develops that the conversion for any location cannot be completed by October 1, 1959, we will continue with our regular Central Office service and the service agreement will remain in force until conversion takes place. However, we will waive all charges for service after October 1, 1959.

[fol. 6476] If this proposal meets with your approval, please have this letter signed before September 1st by an authorized party and return it to us together with a list of the store locations to be converted.

Very truly yours, /s/ C. K. Empringham, Sales Manager

Accepted: Howard Stores, Inc.

By Kenneth V. McCluskey.

[fol. 6477] By Mr. Conkling:

Howard Stores, Inc.
Retail Stores Only
New York

Type of Service	Line No.	Address
Modified	12C-947	149 East 125th Street
Modified	4C-185	801 Broadway
Modified	21C-652	671 Broadway
Modified	20C-510	75 Flatbush Avenue
Modified	30C-603	2825 Third Avenue
Modified	21C-580	1772 Pitkin Avenue
Modified	12C-292	101 West 125th Street
Modified	21C-252	1558 Pitkin Avenue
Modified	11C-209	1600 Broadway
Regular	30C-590	258 East Fordham Road
Regular	7C-3389	145 East 42nd Street
Modified	4C-880	100 Delancey Street
Modified	12C-140	564 West 181st Street
Modified	30C-796	981 Southern Boulevard
	Philadelphia	
Modified	1592-3	1105 Market Street
Modified	1590	1523 Chestnut Street
Modified	1591	432 South Street
Modified	T.A. 31-151	67 South 69th Street
Regular	2C-334	4629 Frankford Avenue
Modified	2C-333	122 West Chelten Avenue
Modified	T.A. 2C8-321	6537 Roosevelt Boulevard

8-31-59

[fols. 6478-6482] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT H11

Duplicate

November 14, 1960.

Local Alarm Conference
Held on Friday, November 4, 1960
from 10 a.m. to 12:30 p.m.
In the President's Office

Attended by Messrs.: Ahlers, Cook, Crockett, Eisenberg, Empringham, Healey, Hoiles, Riker and Ward

The meeting was opened with a review by Mr. Ward of the ground covered at the first meeting held on October 13, 1960. In the general discussion that followed it was clear that everyone was in accord with the idea of the New York Company entering into the Local Alarm field, but differences of opinion developed in some of the areas involved in the proposal, notably in the question of "keys," and the degree or extent of service felt desirable in rendering the superior type of local alarm service contemplated.

Competition

The discussion of this phase of the problem brought out the opinion that some Local Alarm firms would make installations for practically nothing in order to get their $6.00 and $8.00 monthly service charge, that the Owl Company would probably offer Central Office-connected (police notification) service for our proposed $20.00 local alarm service charge, etc.

It was concluded that these factors would naturally be encountered, but it was hoped that they should not be too serious in connection with the superior type of Local Alarm we proposed to offer.

Effect on Central Office business, service rate and police connection

The dangers of Central Office customers wanting to swing over to Local Service were discussed. The experience in Pittsburgh has been in the opposite direction, with some local alarm customers switching over to Central Office service. It was felt, however, in New York there would be some who would want the cheaper Local Alarm service. This was not considered to be too serious a matter in view of the $20.00 rate.

The Pittsburgh Service Rate Schedules were referred to and proposed for adoption in New York. They call for monthly charges of $20.00 for the first system, $16.00 for the second, and $14.00 for the third, with an additional $5.00 for each safe connected to a premises system.

The question of police connections arose, and it was made clear this would not be done in New York territory.

Certification

When requested, we will issue Underwriters' Laboratories certificates for local alarms, provided, of course, the extent of the installation warrants it. It is anticipated that such a request will be primarily limited to No. 3's and partial safes.

• • • • • • •

[fol. 6483] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT H16

PROTECTIVE BULLETIN

Issued by the Insurance and Protective Department

George H. Hottendorf, Deputy Manager
American Bankers Association

March 1960

ABA

Volume LII, No. 7

Copyright © 1960, American Bankers Association,
12 East 36 Street, New York 16, N. Y.

Tested devices to prevent bank burglary

More Than Half of The Burglaries directed against banks in recent years have been unsuccessful due to modern protective equipment. Bank burglary, however, is not a lost art and many of the smaller banks might well consider this phase of protection.

Over the years continued improvements have been made by the manufacturers in the construction of safes, vaults and other equipment for the prevention of bank burglary. This Association does not endorse or approve the products or services of any private commercial enterprise, but discounts are granted to banks in premiums paid for burglary insurance based upon tests conducted by Underwriters' Laboratories, Inc. These discounts are a guide to the relative merits of devices for protection against burglary.

Alarm System Ratings

Complete vault or safe alarms connected with either an outside central station or a loud-sounding gong are given a high rating by insurance underwriters. Such alarms are recognized by discounts in burglary insurance premiums of 50 per cent for Grade C systems, 55 per cent for Grade B, and 65 per cent for Grade A installations. On vaults with partial wiring, the discounts drop to 20 per cent, 25 per cent,

and 35 per cent, respectively. Burglar alarm systems certified by Underwriters' Laboratories, Inc., are sold by the following companies:

Bankers Electric Protective Association, Boston 9, Mass.
Call's Police Signal Corp., Chelsea 50, Mass.
Central Alarm, Phoenix, Ariz.
Central Alarm Co., Ltd., Honolulu 14, Hawaii
Central Station Signals, Inc., New York 10, N. Y.
Central Watch Service, Chicago 10, Illinois
Controlled Companies of American District Telegraph Co., New York 13, N. Y.
Dayton Electronics Alarm & Signal, Inc., Dayton 2, Ohio
Diebold Incorporated, Canton 2, Ohio
Federal Alarms Div. of Hermann Safe Company, San Francisco 3, Calif.
Federal Engineering Co., Inc., Washington 1, D. C.
Holmes Electric Protective Co., New York 1, N. Y.
Merchants Police Signal & Alarm Co., Milwaukee 3, Wis.
Morse Signal Devices, Cleveland 3, Ohio
Mosler Safe Company, Hamilton, Ohio
Newark District Telegraph Company, Newark 2, N. J.
Owl Protective Co., Inc., Philadelphia 7, Pa.
Padua Alarm Systems, Inc., Cohoes, N. Y.
Potter Electric Signal & Mfg. Co., Inc., St. Louis 3, Mo.
Protection Engineering Corp., Los Angeles 44, Calif.
Protection Equipment Co., Inc., Minneapolis 8, Minn.
Robinson Electronic Supervisory Co., Philadelphia 2, Pa.
Rhode Island Electric Protective Co., Providence 1, R. I.
Smith Detective Agency & Nightwatch Service, Inc., Dallas, Texas

A discount of 10 per cent is granted in burglary insurance premiums where a relocking device approved by the Underwriters' Laboratories is installed on the door of a safe or vault. Approved relocking devices are sold by:

Anakin-Pro-Tex Div. of Lake Erie Chemical Company, Cleveland 14, Ohio
Diebold Incorporated, Canton 2, Ohio
Gary Safe Corporation, Los Angeles 21, Calif.
Gross-Feibel Company, Hillsboro, Ohio

Guardian Burglar Proof Equipment Co., Cleveland 13, Ohio
[fol. 6484] Hermann Safe Company, San Francisco 3, Calif.
Herring-Hall-Marvin Safe Company, Hamilton, Ohio
Johnson-Pacific Safe Company, Richmond 4, Calif.
McGunn Time Lock & Safe Co., Chicago 7, Ill.
Meilink Steel Safe Company, Toledo 6, Ohio
Migh-T-Safe Mfg. Co., Culver City, Calif.
Mosler Safe Company, Hamilton, Ohio
Protectall Safe Corporation, Hamilton, Ohio
Remington Rand, Inc., Tonawanda, N. Y.
Schwab Safe Co., Lafayette, Indiana
Star Machine & Mfg. Co., Compton 3, Calif.
Yale & Towne Manufacturing Company, White Plains, N. Y.

A safe or vault equipped with an approved tear gas system protecting the top, bottom, all sides and outer door of the safe or vault, merits a discount of 20 per cent. If the tear gas system is not complete but protects the combination and connections to the combination lock of a *safe*, or the combination and connections to the combination and the full surface of the outer door of a *vault*, a 10 per cent discount is granted.

The Anakin-Pro-Tex Division of Lake Erie Chemical Company, Cleveland 14, Ohio, and Federal Laboratories, Inc., Saltsburg, Pa., sell and install tear gas systems approved by the Underwriters' Laboratories for protection against burglary.

Also available are electronic units which utilize invisible rays (photo-electric), electromagnetic waves, ultrasonic radiation or other electronic principles to signal intrusion or movement within premises or approach to safes, vaults, etc. Electronic units are recognized in combination with or instead of conventional forms of wiring on walls, floors, ceilings and openings to the extent approved by the Underwriters' Laboratories. Some units are suitable for connection with local alarm systems, and still others for both systems.

Additional items are offered by manufacturers for the protection of banks against burglary. They may or may not

be parts of systems approved by the Underwriters' Laboratories, but space does not permit describing them.

Premium Reductions

The discounts granted by insurance underwriters for protective devices against burglary and robbery apply to bank burglary and robbery policies which many banks carry to supplement the coverage under their bankers blanket bonds. Retroactively, however, banks receive the benefit of effective protective equipment, as blanket bonds are experience-rated. Its own loss experience over the preceding five-year period controls the next premium a bank pays. Favorable loss experience merits premium reductions up to 40 per cent and it is evident that loss of a 40 per cent credit resulting from several insured losses could mean a premium increase of 66⅔ per cent. Therefore, the advantages of effective protection against burglary and holdup are self-evident.

Tested devices to prevent bank holdup were described in detail in the September 1959 issue of the Protective Bulletin.

Amplified and Reprinted from American Bankers Association Protective Bulletin, March 1960

[fol. 6485] In United States District Court

Defendants' Exhibit H18-1

April 16, 1952.

File

Mr. P. R. Webb, Vice President,
Holmes Electric Protective Co. of Philadelphia,
11th & Sansom Streets, Philadelphia 7, Pennsylvania.

Dear Mr. Webb:

From time to time you have suggested and we have been considering the establishment in Philadelphia of a new central office somewhere in the North Broad Street area with the view of affording relief to the existing office, which is

now approaching its capacity, of strengthening our competitive position by making available better and cheaper service in the rapidly growing industrial sections in the north and northeast areas of the city, and of improving our overall elapsed time performance in answering alarms.

Development of detailed plans for such a new central office project has heretofore been postponed, as you know, by the Company's unfavorable cash position and by shortages of equipment and facilities resulting both from the national defense situation and from our large office re-location program in New York. With conditions as they now exist, however, it would seem that these difficulties are easing up and, with your business volume approaching the point where relief for the existing office will probably be a matter of necessity rather than of choice within the next two or three years, an immediate and detailed study of the feasibility of a new central office is definitely required. As to timing, it would seem that, if the project proves in, the scheduling should provide for the central office construction to start early in 1953, with the office completed and in service by the end of that year. Accordingly, I think that the preparation of such a study should be the first order of business in Philadelphia and I would like to have it completed and in my hands by June 1st. Then, if decision is reached to go ahead, we may proceed without delay to set up detailed plans and estimates and to locate and secure suitable space in which to establish the office.

I would further suggest that such a study, in order to serve its purpose and to permit of arriving at the proper answer, should take into account the following general considerations:

(a) General Location of Proposed New Central Office

Preliminary decision as to this point must obviously be made on the basis of our existing business distribution throughout the city, together with appraisal of the expected future trends of business and industry in various outlying sections of the city. The effort must be, in other words, to determine that particular location calculated best to serve the dual purpose of relieving our present central office and of attracting new business in substantial volume. Thereafter, of course, the problem of locating proper rentable

space at or adjacent to such a spot will follow.
[fol. 6486] Thus the first step should be the preparation of a city map, on as large a scale as may be available, with all working lines spotted by existing customer locations and with some color differentiation as between mercantile premises, bank, safe cabinet and transmitter services. I assume that your preliminary ideas as to the desirability of a location somewhere in the North Broad Street vicinity will be confirmed by this general review, so that the location problem will boil down to the specific matter of a particular spot fulfilling the requirements as stated above, and also in an area where adequate Telephone Company leased linefacilities will be available.

(b) Layout of Wire and Service Boundaries

Preliminary factors to be considered in this connection would be the volume of business which it would seem desirable to transfer in relieving the old office and in forming the nucleus for the new one, together with the leased line cost reductions on an air-line basis, and the extra mileage charge adjustments as per our standard rate schedules, which would be applicable to the business so transferred. As I recall it, you were originally thinking in terms of starting off the new office with about 300 lines connected. From the traffic point of view and in minimizing average elapsed time in answering alarms, it would, of course, be desirable, if feasible, to establish the southern boundary of the new service territory about equidistant from the old and new offices so as to eliminate the necessity of dispatching alarms between the two.

(c) Indicated Size of Proposed New Office

If the above guess as to an initial transfer of 300 lines were anywhere near correct in seting the required conditions, the new office should probably have an ultimate switchboard capacity of not less than 1,000 lines. Such a size would bring about an increase of almost 50% in the present total capacity and should thus provide for further relief of the existing office on a step by step basis if necessitated by continued growth in the down-town area, and would also take care for a good many years to come of normal growth in the uptown section, plus a substantial volume

of new business which might be expected to result from sharp reductions in mileage charges and elapsed time averages in that area. As a further offhand guess, the new office would probably require a floor space of somewhere between 2,000 square feet to begin with and 3,500 square feet in the ultimate.

(d) Increased Expense Charges

It is generally recognized, of course, that the split of business between an existing and a new central office is bound to result in substantially increased operating expense, and in a less favorable financial picture, pending the acquisition of new business in sufficient volume to offset the added expense. In estimating these increased costs, the largest single factor will be the payroll expense of the additional supervisory, repair, and guard forces that would be required. Such payroll costs should probably be estimated on the basis of the average rates now in effect in each category. The cost of renting sufficient space in a building suitable for central office occupancy will also be substantial, as will all of the various and miscellaneous operating expenses which must be taken into account. An additional and probably appreciable factor will enter from the adjustments in subscribers' service rates resulting from the shorter airline distance measurements to the new connecting point, though such reductions should be, of course, offset against corresponding reductions in leased line charges payable to the Telephone Company.

[fol. 6487] In setting up all of these cost estimates, every effort must be made to arrive at practical figures and to hold down proposed additional manpower, for example, to the lowest possible level consisted with service requirements. Even after doing so, however, I would expect that the estimated net expense increase would run to a very substantial amount, while, beyond this, the hiring of the necessary new people in 1953 might also prove difficult unless employment conditions improve in the meantime.

(e) Installation Cost of Proposed New Central Office

After the desired initial and ultimate switchboard capacities have been determined from a study along the foregoing lines, it should be relatively simple to prepare a proposed

new central office layout and to develop a preliminary estimate of installation costs, assuming, of course, some typical floor arrangement which might be available for leasing on a long-term basis. The study should, therefore, include a general estimate of this nature prepared by the Engineering Department and such figure should include the total "new money" or cash requirement for the project set up on an accurate a basis as possible. In this connection the engineers should also give consideration to the availability in 1953 of the major equipment and apparatus items required for the job, and the cash requirement should, of course, be set up on the basis of the position of the Philadelphia Company alone. Cash, in other words, will be required for the purchase of all items not now in possession of the Philadelphia Company, whether or not available in New York stock.

(f) Appraisal of Future Growth Possibilities and Ultimate Operating Results

In reaching a decision as to whether or not the proposed central office project can be justified on a financial basis, every effort must be made to appraise as realistically as possible, the volume of additional business which it might be calculated to produce, within both the immediate future and during the years ahead, by reason of improved service and reduced mileage charges throughout the newly established operating area. Such an appraisal would, of course, be based on sales and business information already in hand, as well as on a survey of the proposed new territory on as comprehensive a basis as may be possible within the time available.

From all of the foregoing data it would then be necessary to estimate what the "break-even" point in additional lines and revenue might be (that is, how much new business would be needed merely to offset the net increased expense of the new office), about how long it might reasonable be expected to take to reach that point, and what the ultimate possibilities might be both in securing new business and in maintaining our competitive position throughout the city.

While I realize that a study of the foregoing nature, done in the detail which I have suggested, might seem to be a rather large order for completion by June 1st, I gather that you have already done much preliminary thinking

along these lines. In any event, if I have not made the problem entirely clear, or if there is anything further which I can do at this stage to expedite our thinking on what should be done, please let me know.

Yours very truly, (Signed) H. C. Ward, President.

Copy of this letter to: Messrs, Hoiles, Chase & Mahoney.

HCW:HF

[fol. 6488] In United States District Court

Defendants' Exhibit H18-2

File

August 6, 1955.

In reference to our visit, we urge your consideration of the Diebold McClintock Police Alarm and Anti-Ambush Control for your main and branch offices.

It silently and immediately transmits the signal to the police department.

You realize a carefully designed electrically supervised alarm to the police will give a more rapid and accurate alarm, than a method where a signal is sent to an independent Company hired for the purpose, and then transmitted to the police.

Naturally, a compact alarm system, installed at the bank and police station and sold at the time of installation will cost the bank far less capital outlay than equipment leased year to year plus the services of an organization to operate the system.

#114-17 Police Alarm

The Diebold 114-17 Police Alarm System consists of a control box within the bank and Metropolitan Control panel at the police station.

Hold Up buttons would be installed at the tellers stations and officers desks.

The alarm immediately signals police at the police station.

A separate signal is given police and bank if lines are severed. This test signal is utilized between the bank and police station by telephone appointment and checks the operation of the system.

An Anti-Ambush Control or Gold Key box is featured and controls the combination lock on the main vault and money chest for forced openings in case an officer is ambuahed.

A typical location, one model 114-17 Diebold McClintock Police Alarm system complete, including anti-ambush control and four (4) Hold Up buttons and wiring installed $728.00 additional buttons $20.00 each.

Telephone lines rented by the bank from Bell Telephone $4.00 per mile.

Quotation includes delivery and installation. Conduit estimate by others.

The alarm system installed in Chicago, Cincinnatti, Indianapolis, Kansas City, Los Angeles, Milwaukee, Denver, Seattle, Alexandria, Va., Yonkers, N.Y. and many other cities.

[fol. 6489] Vault alarms can be operated as a gong or combination gong and police and are approved as Grade A with 65% discount.

The basic cost for vault alarm protection size approx 8' x 17' and one vault door installed $3,000.00

NY—HEP—1676. "A" 2705. (Handwritten)

Conduits by others.

Four thousand banks use our system in U.S.A. and two-hundred and fifty service out of Philadelphia office.

However, in order to furnish you our alarm system, we must secure a francise from the City of Philadelphia to permit us to install our Metropolitan Control cabinet in the Philadelphia Police Department.

Your approval of our system and request to the City Council for a franchise permitting us to supply you, would assure their cooperation. We appreciate the opportunity of bringing this matter before you and are sure you would benefit by this change.

Diebold Inc., (Signed) V. Wierman, Regional Manager.

There is also a paragraph describing the Ultra Sonic system, however, they also include fire and smoke to upset the system.

[fol. 6490]

IN UNITED STATES DISTRICT COURT
DEFENDANTS' EXHIBIT H23

4629

File

HOLMES ELECTRIC PROTECTIVE COMPANY

COMPETITION REPORT

DATE June 9, 1961 CITY Pittsburgh

PROSPECT'S NAME KEYSTONE IRON & METAL COMPANY

ADDRESS 530 Courtland Street

PERSON SEEN Mr. M. Kaufman

TYPE OF INSTALLATION Central Office NO. UNITS 16

Non-Certified Premises NO. LINES (1) one

NAME OF COMPETITOR Fidelity Electronics Protective Services

TYPE OF INSTALLATION Central Office (Non-Certified)

AND SERVICE Transmitter

HOLMES' QUOTATION		COMPETITOR'S QUOTATION	
INSTALLATION	$384.00	INSTALLATION	Approximately $300.00
SERVICE	$40.20	SERVICE	$30.00 Mo.

FINAL DISPOSITION

SIGNED - HOLMES INSTALLATION CHARGE ---- SERVICE RATE ----

SIGNED - COMPETITOR INSTALLATION CHARGE As Above SERVICE RATE As Above

REMARKS

The $40.20 monthly service charge quoted by Holmes, included a $13.00 customer location charge.

NOTED: SALESMAN James F. Kay

DISTRICT

[fol. 6491] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT H26

NAME Cotton Trading Corp. SALESMAN Tuffy-Locke

ADDRESS 200 Ave of FLOOR P.306 TEL

DATE FROM BUSINESS

NEW A.W. REM. C. OF F. C. OF P. SAFE OR STOCK CAB.

REMARKS

CARD WRITTEN BY

SEEN DATE	SEEN BY	SALESMAN'S REPORT	NEXT CALL
5/31	T	Locke's job signed 800553	
		Competition with Ins Co.	
		Subscribers stated insurance would	
		Cover without Holmes	
		730 Cons. 200+30 Convos. 372 Rev.	
		Stone	

[fol. 6492]

4631

IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT H30-1

HOLMES ELECTRIC PROTECTIVE COMPANY

File

COMPETITION REPORT

DATE January 3, 1963 CITY Philadelphia

PROSPECT'S NAME Streit Advertising Company, Incorporated

ADDRESS 347 North 57th Street

PERSON SEEN Miss Betty Bush

TYPE OF INSTALLATION Mercantile NO. UNITS 11

NO. LINES 1

NAME OF COMPETITOR Four bids including Holmes.

TYPE OF INSTALLATION Mercantile

AND SERVICE Local

HOLMES' QUOTATION	COMPETITOR'S QUOTATION
Installation $380.00 - Quoted $250.00	Installation Lowest bid $100.00
Service $32.50 TA or $20.00 Local	Service $8.00

FINAL DISPOSITION

SIGNED - Holmes Installation Charge _____ Service Rate _____

SIGNED - Competitor Installation Charge $100.00 Service Rate $8.00

REMARKS

Received four bids - H.E.P.C. was highest - Bell lowest. Our bid was A on overhead door. Bell did this AT. Our estimate for same job would be $480.00. With the exception of the overhead door, Bell was exact same layout including two inner doors. (unusual) See foil design on reverse side.

NOTED: JJW

SALESMAN Mr. J. Gallagher

DISTRICT JJW

[fol. 6493] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT H30-2

File

MANCHESTER DETECTIVE AGENCY, PHILA.

August 7, 1962.

Mr. Bruce D. Crockett, Vice President
Holmes Electric Protective Company
370 Seventh Avenue
New York 1, New York

Subject: Competitive Activity

Dear Bruce:

We understand that the Philadelphia City Council approved bill #1854 on July 19, 1962 which provides an underground cable franchise for the Manchester Detective Agency, 629 Chestnut Street, Philadelphia, Pa.

One more Central Station Alarm Company for Philadelphia!

In recent weeks, we have encountered competitive activity from this Company, that indicates they will connect circuits into the telephone answering service that is nearest to the subscribers location.

Best regards, T. L. Weber, General Manager.

TLW:dr

c.c.—Mr. H. C. Ward, Mr. C. K. Empringham, Mr. W. E. Riker.

[fol. 6494] IN THE UNITED STATES DISTRICT COURT

DEFENDANT'S EXHIBIT W2a

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff

vs.

GRINNELL CORPORATION, AMERICAN DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE COMPANY and AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

The deposition of A.P.F. COMPANY, by JOSEPH E. CUNNINGHAM, owner, pursuant to notice and subpoena duces tecum, and to the Federal Rules of Civil Procedure, before Alan R. Kidston, Commissioner, at Suite 2360, 135 South LaSalle Street, Chicago, Illinois, on Monday, September 11, 1961, at the hour of 2:00 o'clock p.m.

[fols. 6495-6496] The Commissioner: This is a deposition convened by reason of a notice served by American District Telegraph Company in the matter known as United States of America v. Grinnell Corporation, et al., Civil Number 2785, District Court of Rhode Island.

JOSEPH E. CUNNINGHAM, having been first duly sworn, was examined on written interrogatories as follows:

Examination

By the Commissioner:

Q. Mr. Cunningham, are you the Joseph E. Cunningham specified in a subpoena which you have before you?

A. Well, this is probably my father. I am actually Junior, Joseph E. Cunningham, Jr. My father passed away August 12, 1957.

Q. Was this subpoena served upon you on September 1st?

A. That is correct.

* * * * * * *

[fol. 6497] Q. Would you proceed, please?

A. Now, Item (c), nature and extent of competition, and customers or potential customers lost or gained by reason of such competition; number of instances in which customers have changed from one type of protective service to another.

Something like that, we would have no actual record of the customer changing. It would be merely a cancellation or something, and this is a very rare occurrence, the chang-

[fol. 6498] ing itself. So there would be no record on that.

Nature and extent of competition, that I could describe orally.

Q. All right. Item (d).

A. Number of customers for each type of protective service receiving protective service, that I can give you a flat number. That would be approximately——

Q. You don't have any documents?

A. Not covering that. I have the total written down. I just wrote it down more or less as a note. That is actually 400 even.

Q. Do you have anything under Item (e)?

A. I didn't bring any Underwriters' approval. We are strictly approved for Underwriters' A3 local mercantile. That is the only listing we carry with Underwriters' Laboratories.

Q. You do have approval, however?

A. Right, A3 Mercantile Local.

Q. Is it possible to submit that?

A. The reason I didn't bring that, it states in the first portion of it that we are not allowed to release that from our custody. That is a portion of the Underwriters' so-called

[fol. 6499] rules. It is actually the property of Underwriters' Laboratories, Incorporated.

Q. What about Point (f)?

A. That is again something, kind of a rule of thumb. Roughly, we charge per opening.

Q. You do not have a price list?

A. No, sir. This is just something, the type of protection, the type of opening varies.

* * * * * * *

Q. All right. We will then proceed to ask the questions that have been propounded.

1. State your name and address, please.

A. Joseph E. Cunningham, Jr.; 5236 West Montana, Chicago, Illinois.

Q 2. Are you connected with any business venture engaged in furnishing protection against losses by fire, burglary or other hazards?

A. Yes, sir.

Q 3. If so, state the name and principal office of such [fol. 6500] business venture, which hereafter will be called your firm.

A. A.F.P. Company, 5236 Montana, Chicago, Illinois.

Q 4. State whether your firm is a corporation, partnership or other form of business venture.

A. Sole ownership.

Q 5. State the position which you occupy in your firm, and describe all of your duties in such position.

A. My official title would be Manager. I do the estimating of the installations, general supervision of the installations, and general managing of the office.

Q 6. How long have you and your firm been in the protective business or protective service?

A. The firm itself since 1936. I have been in, it will be eighteen years—it has been eighteen years now that I have been working in the firm, from about 1943 or 1942, say 1943. I think that is approximately right.

Q 7. Does your firm provide protection against losses by:

a. fire.

A. Yes.

[fol. 6501] Q b. burglary?

A. Yes.

Q c. malfunction of machinery.

A. No.

Q d. negligence of personnel.

A. No.

Q e. other hazards, and if so specify? such other hazards.

A. None.

Q 8. Describe the manner in which your firm provides protection, including a description of each type of protective service and each type of protective system furnish.

A. The main portion of our business is the burglary protection portion. That is the protecting of all openings leading to the interior of the premises. We employ ultrasonic systems, photocells, just about any type of system that is available, and we supply it to the trade.

Fire alarms, we install fire alarms in industrial locations, utilizing heat-sensitive thermostats which are usually connected to a local fire department or a local gong.

Q 9. State whether your firm furnishes central station [fol. 6502] electric protective service.

A. No.

Q 10. State whether your firm furnishes direct-connected alarm service i.e. alarm services in which the subscriber's premises are connected by wire directly to local police or fire departments.

A. Yes.

Q 10. (Continuing) If so designate each hazard against which such service is provided.

A. In the burglary line and in the fire line.

Q 11. State whether your firm furnishes local alarm service.

A. Yes.

Q 11. (Continuing) If so designate each hazard against which such service is provided.

A. Local mercantile burglary only.

Q 12. State whether your firm furnishes protective service by use of telephone answering services.

A. No.

Q 13. State whether your firm furnishes auxiliary alarm services, in other words, manual or automatic alarm devices directly connected to municipal alarm systems.

A. No.

[fol. 6503] Q 14. State whether your firm furnishes proprietary alarm systems; in other words, an integrated alarm system owned or operated by a customer or its employees.

A. I would have to say yes on that.

Q 14. (Continuing) If so, designate each hazard against which such service is provided.

A. This would be in regard to fire alarm only. Where the customer buys the installation outright and runs a service, periodic service on a preventive maintenance check with us, we are called in that case. It is strictly his baby. We have nothing to do with an automatic service check or anything.

Q 15. State a. Whether your firm sells alarm systems.

A. Occasionally.

Q b. Whether your firm installs alarm systems.

A. Yes, we do. That is the primary portion of our business.

Q c. Whether your firm services alarm systems.

A. Yes.

Q d. whether your firm contracts with customers to in-
[fol. 6504] stall alarm equipment and provide protective services.

A. Now let's see, by prospective services, is that in relation to runner response and things like that? Would you repeat it once more?

Q. Yes. Whether your firm contracts with customers to install alarm equipment and provide protective services.

A. If you mean people as opposed to equipment, the answer would be no.

Q e. Your firm's customary contract period and provide sample copies of each form of such contract.

A. The average contract period is a five-year contract. The sample I do not have with me, but I will enclose one in the mail for you.

Q f. Whether title to equipment and devices installed on subscriber's premises is retained by your firm.

A. They are retained by our firm.

Q g. Whether upon termination of a contract for protective services, your firm removes from the subscriber's premises the installed equipment.

[fol. 6505] A. Well, not normally. The usual procedure in something like that, if the customer flatly cancels the contract and he retains occupancy, naturally the equipment will be removed. If the customer terminates the contract and vacates the premises, we will usually leave the equipment, hoping to get the next fellow in line.

Q h. Whether your contracts for protective service provide for automatic renewal upon expiration of the original term.

A. They do.

Q 16. If your firm sells alarm systems state the approximate gross revenue or best estimate thereof derived by your firm in each of the past five years from sales of each type of alarm system.

A. Oh, I would say it averages about $2,000 a year on the outright sale of equipment—of installations, rather.

Q 16. (Continuing) State the geographic area in which such sales are made.

A. Cook County, Illinois.

Q 17. What portion, if any, of such sales were made to

wholesalers, electrical contractors and persons other than the ultimate user of such systems.

[fol. 6506] A. In our case, none.

Q 18. State the number of persons employed by your firm, the categories or types; in other words, salesmen, installers, repairmen, guards, et cetera, of employees, and describe generally the duties of each such category or type.

A. Well, there are five people classified as employees. One is general office work, answering the telephone, billing, et cetera. Three men are in the installation department. They are strictly on installation of the alarm systems. One man is retained as a repairman. His primary function is the repair of burglar and fire alarm systems.

Q 19. If your firm contracts with customers to provide alarm service, state for each of the past five years and for each type of protective service:

a. The approximate gross revenue derived by your firm from such service contracts.

A. That would be this first line—May I read it from here? You want this itemized as to year?

Q. This is for each type of protective service.

A. This would primarily be the burglar alarm protection. That is our primary business. The fire alarm is very, very negligible.

[fol. 6507] Q. Then your answer would be the figures which appear on this Exhibit 1?

A. Right. That is correct.

Q 19. b. The approximate number of your firm's customers.

A. There are about 485.

Q 19. c. The basic rates charged by your firm.

A. Is this in regard to maintenance or would this be installation charge?

Q. The question as basically written is if your firm contracts with customers to provide alarm service.

A. The average charge, the maintenance and rental charge averages about $10 per month.

Q 19. d. The method of computing your firm's basic service charges.

A. The size of the premises to be protected; in other words, the amount of openings, the type of openings, the size of openings, such as doors, windows, transoms, et cetera.

Q 19. e. The approximate net amount of capital invested in your firm's business.

A. I would say about $70,000.

[fol. 6508] Q 20. If your firm contracts with customers to provide alarm service, state whether your firm makes an initial or installation charge for equipment installed on customer's premises?

A. Yes, it does.

Q. If so, state the method by which such charge is computed and the time when it is paid by the customer.

A. The computing of the charge is determined again by the amount of openings, the type of openings, the overall size of the area. We kind of try to estimate the amount of labor and equipment going into any different job and, so-called, try to break even, and the price is computed that way.

Q. And the time when it is paid by the customer?

A. Usually thirty days after completion of the installation.

Q 21. If your firm contracts with customers to provide alarm service, describe the geographic area in which the firm's customers are located.

A. That would be Cook County, Illinois.

Q 22. State which, if any, of your firm's alarm systems or services are accredited, approved or certified for the pur-

[fol. 6509] pose of insurance premium discounts by insurance or underwriting organizations.

A. I would say 350 of our total number of accounts are approved by Underwriters' Laboratories, Incorporated.

Q. The question, I believe, is state which, if any, of your firm's alarm systems or services are accredited.

A. Oh, that would be, well, naturally the local mercantile —I was a little confused on that—that would be the only service that we have that is actually approved by Underwriters, the local mercantile burglar alarm.

Q 23. State the approximate number of your firm's customers, if any, who receive protective service of a kind which would qualify for insurance premium discounts.

A. That would be 350 of the total accounts.

Q 24. State all services, systems, devices and means which compete with your firm in furnishing protection against losses by fire, burglary and other hazards.

A. That is quite a question. Shall I start naming the ones I can think of?

[fol. 6510] Q. This is not companies; it is services, systems, devices and means.

A. Well, primarily just the burglar alarm people themselves. That is about the only place that we ever receive any competition from. We have never had any competition from electrical contractors or anything along that line. It is primarily other people in the same form of business, I would say.

Q 25. State whether the following compete with the type or types of protection furnished by your firm:

a. Central station electric protection service accredited by insurance inspection and rating organizations.

A. Well, there again I would say very little. Very little on the central station competition. We very seldom run into those people.

Q 25. b. Central station electric protection service not accredited by insurance inspection and rating organizations.

A. There again the same answer would apply.

• • • • • • •

[fol. 6511] Q 26. State the names and addresses of your firm's competitors and specify the services, systems, devices [fol. 6512] or means of protection furnished by each such competitor.

A. Well, it is a long question. To begin with, we will start with A.D.T. The address I am not familiar with. They supply direct wire central office, direct wire fire alarm, local mercantile burglar alarm service.

Second in line is Central Watch Service. They are on Wells Street somewhere. They supply about the same, the exact same service.

Then Kedzie Protective Patrol, I imagine the service is the same. They have different varieties of service.

In the local field we have the Cooperative Burglar Alarm Service. They are local.

Then there is Everyready Burglar Alarm Company, which is also a mercantile service only.

The A. W. Fruh, 1950 Orchard. He is local mercantile burglar alarm service only.

We have the Nu-Way Burglar Alarm Company, who is also local mercantile burglar alarm service.

We have the Suburban Protective Patrol, who is local mercantile burglar alarm service.

[fol. 6513] Offhand, that is about all I can name.

Oh, there is one more that I excluded. Certified Burglar Alarm Company, they are also local mercantile burglar alarm service.

Q 27. State whether during the past five years the number of your firm's competitors has:

a. Increased.

A. It has increased.

Q 27. b. Decreased?

A. Not at all.

Q 28. What is your best estimate of the percentage of the total protective service business your firm has in its area of operations?

A. Well, to the best of my ability, I would say about 5 percent, 4 or 5 percent.

Q 29. What is your best estimate of the percentage of total sales of alarm systems made by your firm in the area of its operation?

A. Well, again I would have to say 5 percent.

Q 30. In your opinion, have the percentages stated in your last two answers changed in the past five years.

A. Yes.

Q 30 (Continuing) If so, describe such changes.

[fol. 6514] A. Well, actually I think we are getting a little more of the total business. It has increased definitely.

Q 31. State the basis of the opinions or estimates given in answer to the previous three questions.

A. Simply by numbers of accounts. Naturally, the greater the number, the more the overall income.

Q 32. State as to each of the past five years, whether or not your firm's protective business has yielded a profit.

A. We have had profits in all of the past five years.

Q 33. State.

a. Whether your firm maintains any standard price lists or schedules, if so, attach copies thereof.

A. None at all.

b. Whether your firm charges all subscribers to the same type of service at a uniform rate.

A. No.

Q 33. c. If your charges vary between customers, the nature of and reason for such variation.

[fol. 6515] A. The reasons for the variations is simply the size of the building to be protected, the amount of work involved.

Q 33. d. State whether the variations in such charges are based on the nature of the subscriber's premises, the length of the service contract, and the distance of the subscriber's premises from your firm's place of business.

A. Primarily about the only thing that would apply would be the size of the subscriber's premises.

Q 33. d. (continued) If other factors enter into such variations, state each such factor.

A. None.

Q 34. If your firm manufactures protection equipment, describe articles manufactured and state the dollar volume thereof for each of the past five years.

A. None. We manufacture nothing.

Q 35. State the principal suppliers of protection equipment, if any, purchased by your firm and state whether the equipment required in your firm's protection business is readily obtainable.

A. Well, the protective, the supply of protective equip-
[fol. 6516] ment to our firm is A. W. Fruh Company, 1950 Orchard Street, Chicago, and the availability of the equipment is very good.

* * * * * * *

Cross-examination

By the Commissioner:

X Q 1. Does the City of Chicago allow the connection of auxiliary alarm systems or direct connected alarm systems to city fire and police stations?

[fol. 6517] A. As far as my knowledge goes, they do not.

X Q 2. If your company provides local fire alarm service, submit the following information for each year from 1955 to 1960:

a. The approximate number of subscribers to local fire alarm service.

A. Oh, that would be between five and ten.

X Q 2. b. The names and business addresses of subscribers to the local fire alarm service provided by your company who discontinued this service and subscribed to

central station fire alarm service provided by your company or any other company.

A. That would be zero; none.

X Q 2. c. The names and business addresses of subscribers who discontinued central station fire alarm service provided by your company or any other company and subscribed to the local fire alarm service provided by your company.

A. That would be none also.

X Q 3. If your company provides local burglar alarm service, submit the following information for each year from 155 to 1960:

a. The approximate number of subscribers to local burglar alarm service.

[fol. 6518] A. That was 485, I believe. The reason for the 485 number applying to all five years is the fact that we remove accounts, accounts going out of business, bankruptcies, et cetera, and we also install practically an equal number of alarms, and we have found in the last five years that the number has remained relatively constant.

X Q 3. b. The names and business addresses of subscribers to the local burglar alarm service provided by your company who discontinued this service and subscribed to central station burglar alarm service provided by your company or any other company.

A. Well, that would be about three or four over that five-year period, and those contracts are automatically put in File 13, the waste basket, when they are canceled out.

X Q. The names and addresses?

A. Right, we automatically take them out of the file and get rid of them.

X Q. You do not have them?

A. No, sir.

X Q 3. c. The names and business addresses of subscribers who discontinued central station burglar alarm service [fol. 6519] provided by your company or any other company and subscribed to the local burglar alarm service provided by your company.

A. That would be none.

X Q 4. If your company provides guard or watchmen service,——

A. We do not.

The Commissioner: The next series of questions is again by A.D.T.

Redirect examination

By the Commissioner:

R D Q 1 propounded by the government was whether the City of Chicago allows the connection of auxiliary alarm systems or direct connected alarm systems to the city fire and police stations. Question 1 now is state whether your answer to plaintiff's cross-interrogatory No. 1 is based upon your own personal knowledge and, if so, describe in detail the manner in which you obtained such personal knowledge.

A. It does relate to personal knowledge. This happened to be an account, a savings and loan company located in the [fol. 6520] City of Chicago that required some form of police station or central office connection, and this was brought up with the people in charge of such matters, the Police Commission, I believe it was, and it was flatly turned down. They claimed there was no possibility of connecting the burglar alarm with the city Police Department.

R D Q Subsection (a) to Question 1, if your answer to plaintiff's cross-interrogatory 1 is in the negative, is it not true that you are referring only to the City of Chicago proper, and not to its various suburban communities?

A. That is correct.

Question (b), is it a fact that various cities, towns and villages located in the suburbs of Chicago do permit connection of auxiliary alarm systems or direct-connected alarm systems to their fire or police stations?

A. Yes.

Q. If so, state the names of all such localities of which you have such knowledge.

A. All right. Elmwood Park, Illinois, Stone Park, Illinois; Melrose Park, Illinois; Oak Park, Illinois—these are towns that we have service in that I know of—North Lake, [fols. 6521-6522] Illinois, Elmhurst, Illinois, Arlington Heights, Illinois, Elk Grove Village, Arlington Heights, Desplaines, Mount Prospect, Morton Grove, Skokie, Libertyville, Mundelein, Wilmette, Winnetka, Glencoe, Highland Park and Evanston.

These are locations that I have personal knowledge of

burglar alarm systems being connected to a city or town police station: Park Ridge, Illinois, Niles, Illinois, Lincolnwood, Illinois.

R D Q 1 (c). Is it a fact that in the City of Chicago itself, the municipal authorities permit the connection of auxiliary fire alarm systems to the Chicago municipal fire alarm system?

A. Well, the only case that I know of that is in a school, the situation of a school. They will connect the existing fire alarm in the school proper to the Chicago fire alarm system.

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[fol. 6523] IN THE UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT W4a

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff

vs.

GRINNELL CORPORATION, AMERICAN DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE COMPANY and AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

The deposition of M. I. BROD, pursuant to notice and subpoena duces tecum, and to the Federal Rules of Civil Procedure, before DAVID J. GIBBONS, Commissioner, at Suite 2360, 135 South LaSalle Street, Chicago, Illinois, on Friday, September 15, 1961 at the hour of 11:00 o'clock a.m.

[fol. 6524] By Mr. Gibbons:

Q 1. State your name and address.

A. M. I. Brod, 7144 Devon Avenue, Chicago 26.

Q. Mr. Brod, were you served with a subpoena in this matter?

A. Yes, I was.

Q. Do you have in your possession and with you now some documents which are responsive to that supboena?

A. Yes, I have.

Q. Are these the two documents that you have handed me, one of which is an Accurate Burglar Alarm System contract, the other of which is Accurate Burglar Alarm service advertising brochure?

A. Right. It is Accurate Burglar Alarm Service.

[fol. 6525] Mr. Gibbons: Let the record show that I will mark the first document as Defendant ADT Exhibit 13, and the second document as Defendant ADT Exhibit 14, both for identification.

For the sake of the record, I have marked as Defendant ADT Exhibit 13 the contract, and as Defendant ADT Exhibit 14 I have marked the advertising brochure.

(Defendant ADT Exhibits 13 and 14, respectively, were marked for identification.)

• • • • • • •

Q 2. Are you connected with any business venture engaged in furnishing protection against losses by fire, burglary or other hazards?

A. Yes.

Q 3. If so, state the name and principal office of such business venture, which hereafter will be called your firm.

A. Accurate Burglar Alarm Service, 1644 Devon Avenue.

• • • • • • •

[fols. 6526-6528] Q 7. c. Malfunction of machinery?

A. No.

Q 7. d. Negligence of personnel?

A. No.

Q 7. e. Other hazards, and, if so, specify such other hazards?

• • • • • • •

A. No.

[fols. 6529-6532] Q 15. f. Whether title to equipment and devices installed on subscriber's premises is retained by your firm.

A. Yes. This is a rental equipment.

Q 15. g. Whether upon termination of a contract for protective services, your firm removes from the subscriber's premises the installed equipment.

A. Yes, we do.

• • • • • • •

[fols. 6533-6536] Q 25. State whether the following compete with a type or types of protection furnished by your firm:

a. Central station electric protection service accredited by insurance inspection and rating organizations.

A. No.

• • • • • • •

[fols. 6537-6539] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT W5a

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION; AMERICAN DISTRICT TELEGRAPH COMPANY; HOLMES ELECTRIC PROTECTIVE COMPANY; AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

Deposition of GERSON ZIMMERMAN Monday, September 24, 1962

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[fol. 6540] Direct Examination

By Mr. Conkling:

Q. Mr. Zimmerman, you have been sworn. Would you state your——

Mr. Levy: Hold on just a moment, Bob. Objections except as to the form of a question are reserved until the trial?

Mr. Conkling: That's right.

By Mr. Conkling:

Q. Would you state your full name for the record, please Mr. Zimmerman?

A. Gerson Zimmerman.

Q. Your residence address?

A. 5658 Melvin Street, Pittsburgh 17, Pennsylvania.

Q. Are you engaged in business in any form, in furnishing any form of protective service?

A. I am.

Q. What is the form of your business? It is a corporate form?

[fol. 6541] A. No, individually owned.

Q. What is the name of your business?

A. Ace of Spades Burglar Alarm Company.

Q. Are you the owner?

A. I am.

Q. The sole owner?

A. The sole owner.

Q. For how long have you been engaged in business under the name you have mentioned?

A. Let me see. I am trying to think of the date. It was Ace Burglar Alarm and it was changed to Ace of Spades, because of a——

Q. Will you approximate? I don't want exact dates, but will you approximate for me how long you have been operating under the name you now have, and approximately before that under the other name?

A. Well, I would say approximately six years under Ace of Spades, and from 1950 to late '55 the Ace Burglar Alarm Company. Now, these are approximate dates.

Q. Except for the change of name, was the business essentially the same under its former name as it is now?

A. Yes.

[fols. 6542-6543] Q. And you at all times have been the sole owner?

A. Yes.

• • • • • • •

[fol. 6544] Q. Let me ask you, would you outline briefly for me your business experience prior to the spring of '49, when you and Mr. Kammer formed a partnership?

A. From 1938 to 1941 I was employed by Morse Signal Devices of Cleveland, Ohio.

Q. Morse, M-o-r-s-e, Signal Devices of Cleveland, Ohio?

A. Yes.

Q. In what capacity were you employed by Morse during the three years you have mentioned, Mr. Zimmerman?

A. From training, installing——

Q. Excuse me just a minute, sir.

A. From training——

[fol. 6545] Q. Would you bear in mind that the court reporter must put down what you are saying, so——

A. Well, I installed and serviced, and the last year and a half I managed their branch that they had here in Pittsburgh.

Q. Did you have any ownership interest in that company while you were with them?

A. No, I did not.

Q. You chose to leave and engage in some other——

A. I was drafted.

Q. For how long approximately did you remain under some obligation to serve Uncle Sam after you were drafted, and kept out of the alarm business?

The Witness: Off the record.

(Discussion off the record.)

By Mr. Conkling:

Q. You were drafted in 1941. Then did you thereafter, and before 19—what did you do after returning from the Army?

A. Well, I worked at ship yards as an electrician.

Q. What branch of the Morse business did you say you managed for the last year and a half of your employment at Morse?

A. The Pittsburgh branch.

Q. The Pittsburgh branch?

A. Yes.

[fol. 6546] Q. Does Morse still operate a branch here in Pittsburgh?

A. No.

Q. When did they discontinue that, if you know?

A. They sold their branch to Samuel Kammer.

Q. Do you know when that took place, approximately?

A. I would say it was in the late '50's; in other words, in the latter part of 1950. I don't mean late '50's. I mean the latter part of 1950.

Q. Is the Bell Burglar Alarm still in business here in Pittsburgh?

A. The name is maintained, yes.

Q. Who maintains it, do you know?

A. It was bought by Cauley Detective Agency.

Q. When was that, if you know, approximately?

A. The closest I would say would be between 1950 to 1953.

Q. Is the principal in Cauley Electric Burglar Alarm Company a Mr. Cauley, if you know?

A. Yes.

Q. Jim Cauley?

A. Yes.

Q. I show you, Mr. Zimmerman, a page taken from the Pittsburgh Classified. The name Bell Burglar Alarm Company, at 401 Sheridan Avenue. Do you see that?

[fol. 6547] A. Yes.

Q. Then just a litle further down, Cauley Electric Burglar Alarm?

A. Yes.

Q. That has an address on Rodman, 6041 Rodman?

A. Yes, that is the same, yes. They are on the corner. One is this way and one is that way.

* * * * * * *

[fol. 6548] Q. I see that your company, Ace of Spades Burglar Alarm Company is listed here at Page 128, and the Allied Detective Agency?

A. I have never met them, or I don't know of any of their accounts.

Q. Do you know the form of service they furnish?

A. No, I really don't.

Q. Then Bell Burglar Alarm Company is listed. We have talked about them?

A. Yes.

Q. And then I see here Burglar Alarm, Incorporated, at 3636 East State.

[fol. 6549] A. I do not know them. I have no knowledge of them.

Q. Then Cauley Electric Burglar Alarm is listed. We have talked about them.

Then there is Federated Detective Bureau, Inc., on Euclid Avenue. Do you know anything about the type of service they furnish?

A. They are more in the investigation. I do not know of any alarm that they install.

Q. There might be, but you don't know of them if they are?

A. I don't have any knowledge of them, myself.

Q. Then on Page 129 I see listed Fidelity Electronic Protection Systems, on Centre Avenue?

A. That's right.

Q. Do you know the type of service that they furnish?

A. I understand they furnish local and central office.

Q. Do you know whether they furnish guard or watchman or patrol service of any kind?

A. I understand they do.

Q. Do you know how long approximately they have been furnishing central office service?

A. To the best of my knowledge it would be about a year and a half.

Q. Do you know any of the persons connected with that [fol. 6550] company?

A. One of the employees.

Q. What is his name?

A. Billy Seitz.

Q. He is not in Management, I take it?

A. No.

Q. And then there is listed here Holmes Electric Protective Company of Pittsburgh. Do you know the type of service they provide?

A. Yes.

Q. Generally speaking, what type of service do they provide?

A. Central office and local.

* * * * * * *

By Mr. Conkling:

Q. Then there is listed, on Page 129, Pittsburgh Alarm Service. Do you know the type of service they provide?

A. No, I don't.

Q. Then there is listed Universal Security Electronics, [fol. 6551] Inc. Do you know anything about them?

A. No, I do not.

Q. Then there appears the name of Washington Burglar Alarm Company, on Melvin.

A. I own that.

Q. I am sorry, sir.
A. I own that.
Q. You own that company?
A. I own that.
Q. Are you the sole owner of Washington Burglar Alarm Company?
A. Yes.
May I ask a question without it going on the record?

Mr. Conkling: Yes.
Mr. Levy: This is off the record?
Mr. Conkling: Yes, off the record.

(Discussion off the record)

By Mr. Conkling:

Q. I was about to ask you, Mr. Zimmerman, whether the address shown in the Classified for Washington Burglar Alarm Company, 5658 Melvin, is the same address as your——
A. Yes, it is.
Q. Yes, 5658 Melvin, the same address as your Ace of [fol. 6552-6553] Spades.
A. Right.
Q. As I understand it, you bought out their accounts, but there is no services being furnished by Washington Burglar Alarm Company under that name?
A. Right.
Q. When did you make the purchase of those accounts?
A. It was about a year and a half ago.
Q. How many accounts, approximately, did you acquire at that time?
A. 21.

• • • • • • •

[fol. 6554] Q. I see from your advertisement in the Classified, on Page 128, that Ace of Spades Burglar Alarm Company provides central station supervised?
A. Yes.

Mr. Levy: I think you should read the whole statement, Mr. Conkling.

By Mr. Conkling:

Q. Central station. You have a central station? You operate a central station, is that right?

Mr. Levy: That is not what the advertisement says.

Mr. Conkling: "Central station supervised systems."

Mr. Levy: "With direct connection to police headquarters," is the whole statement.

The Witness: That is one statement.

By Mr. Conkling:

Q. Well, let's read it again, then. You furnish central [fol. 6555] station supervised systems with direct connection to police headquarters. Do you operate a central station of your own? Do you have an office out of which or in which there is a central station?

A. How would you describe it? I would say yes, I use the T A S offices, Telephone Answering Service. I have equipment, my own equipment, which is located in the Telephone Answering Service's branches, and the operator will respond to the signals as they come in.

Q. Does that telephone answering service have a business name of its own? Who are the people who do this for you?

A. It is called the Telephone Answering Service, T A S; the Telephone Answering Service of Pittsburgh. That is what it is normally called.

In fact, I think I can find it in the book here.

Q. Will you find it for me, please?

A. Here. They call themselves the Telephone Answering Service, Incorporated.

Mr. Conkling: The witness is pointing to an advertisement in the 1961-62 Classified, at Page 675.

The Witness: Their advertisement, I am pointing to that now, to that advertisement in the book. I wasn't referring to it as being part of my burglar alarm. I was merely [fol. 6556] trying to get the correct name under which they were going there. You wanted to know what their name was, and I said I would find it in the telephone book.

Mr. Conkling: Off the record.

(Discussion off the record.)

By Mr. Conkling:

Q. Then we may sum up, I take it, Mr. Zimmerman, that since 1938, until the present, you have been engaged in one form or another of the protective service business, exclusive, however, of the eight years, approximately, from 1941, when you were drafted, until 1949, when you re-entered with Mr. Kammer? Is that an accurate statement of your experience?

A. Yes, it is an approximate accurate statement.

Q. What did your business originally consist of? I am speaking now of the Ace Alarm Company.

A. Locals.

Q. When you say locals, would you state for the record what that is, what it means?

A. A local alarm means that the signal will be mounted on the outside of the premises, a bell will be mounted on the outside of the premises.

It also means that the proprietor will have complete con-
[fol. 6557] trol over the operation of the system.

Q. How many such accounts did you have when you commenced your Ace Alarm Company, when you started? Did you have an account when you started in that business?

A. When I started?

Q. Yes.

A. None.

Q. Pardon?

A. None, if I understand you correctly.

Q. You started your business originally, Ace Alarm Company, with no accounts?

A. Right.

Q. And that you say was in what year?

A. Well, as I said before, that would be between the latter part of 1950—somewhere in 1950.

Q. As of this morning, sitting here, approximately how many accounts do you have?

A. That I won't divulge.

* * * * * * *

[fol. 6557a] Q. Now, my last question was, you had testified that you started your Ace Alarm Company with zero accounts, and my next question was, how many accounts

do you have today, and you cannot tell me approximately how many you have?

A. No, I can't.

Q. Can you tell me whether it is less than 100 or more; less than 500 or more; less than 1,000 or more? There must be some way, I should think, that you can approximate it for me, with reasonable accuracy?

For example, you recall that you told me you acquired 21 accounts from Washington Alarm. Now, that was painless, wasn't it?

A. Yes, that would be.

[fol. 6557b] Q. How many did you have before you got the 21 from Washington?

A. I don't know that, either.

Q. I have tried to suggest a way to you to think about this.

A. Well, we will put it from 1 to 500, then.

Q. You think it is not more than 500?

A. Right.

Q. Is it closer to 500 or to 1? It is closer to 500, isn't it, than it is closer to 1?

A. Yes.

Q. I think you can probably tell me off the top of your head exactly how many customers you have, and I am asking you to do it.

A. This is one time, if I could I would.

Mr. Levy: Since he has stated he will, Mr. Conkling, can't we leave this blank and have him fill it in as we agreed?

Mr. Conkling: I think the man has run the business and just acquired another business, and I would like to get the answers now, and relieve us of the problem of coming back and having the reporter come back. It is really very simple.

Mr. Levy: Can you approximate, Mr. Zimmerman?

[fol. 6557c] The Witness: Well, I said from 1 to 500.

By Mr. Conkling:

Q. And it is closer to 500. Now, is it 450?

A. I don't know. If I knew it I would tell it to you.

Q. Who was your first account?

I am sure you remember who your first account was, almost everybody remembers his first of anything. It must

have been a happy day when you got your first account, in your new business, and you probably have the account still.

Do you still have your first account?

A. Yes. I guess nobody seems to think they have got a first account. It is hard to really—let me see. I am going to try to narrow it down. The closest I can come to it is Cicchinelli Grocery Store. He has a name for it. He calls it Steel City Grocery.

Q. Steel City Grocery is your best recollection as to your first account?

A. Right.

Q. And you still have it?

A. Yes.

Q. That is about twelve years, now, is it?

A. Yes.

[fol. 6557d] Q. Are you quite certain that the outside number of your accounts is in the 500 area? I mean, it wouldn't —go ahead.

A. What was that question?

Q. The outside number of your accounts, 500, are you quite certain about that? I mean, you are not likely to find that it is more like a thousand, are you?

A. No, no.

Q. Over the last twelve years, from starting with Steel City Grocery, up until today, has your pattern of gross each year been about the same?

Mr. Levy: I object to the form of the question.

A. I don't know that. If I knew that I would have the other figures. I really don't know that.

* * * * * * *

Q. That need not be off the record. I would ask you that sooner or later anyway, as to what your own time is spent at. You sell and you figure the installations, and do you make the installations?

A. No.

Q. You sell and compute what you are going to charge the [fol. 6558] customer?

A. Yes.

Q. You make the deal?

A. Yes.

Q. And then you have some employees who do the work?
A. Yes.
Q. Is there anyone else with your company who sells, or are you the only salesman?
A. I am the only salesman.
Q. What is the type of service that you provide to Steel City Industries?

Mr. Levy: Grocery.

A. A local alarm.

Mr. Levy: It is Grocery.
Mr. Conkling: Steel City Grocery, thank you.

A. Local alarm, which means perimeter protection.
Q. Perimeter protection?
A. Yes.
Q. What does perimeter protection mean?
A. Protecting all of the doors and openings into the premises.
Q. The question is, today, Mr. Zimmerman, what is the number of your accounts, and when you get the transcript [fol. 6559] of this deposition, there will be a space left for you to insert the number. You understand, of course, that when you make this answer, and any others that we may leave space for, that you are under oath and you will make an accurate answer?
A. Correct.

169 Subscribers (First 6 months 1962)

Q. Now, when you started your business, Mr. Zimmerman, did you start it by yourself? Were you the sole owner and sole employee?
A. Yes.
Q. How many employees approximately do you have now?
A. Today, one.
Q. Are you speaking of your wife, as an employee?
A. No, no.
Q. Your wife works in the business with you?
A. Yes.
Q. For which she receives a salary of some kind?
I didn't ask you how much, I said, for which she receives a salary of some kind?

A. No.

Q. You have one employee?

A. Yes.

Q. Is this the installer? Is this the man who installs for [fol. 6560] you?

A. Yes, he installs, yes.

Q. What else does he do?

A. He services; installs and services.

Q. Have you had one employee since you started Ace Alarm?

A. No, no. I have had as many as six.

Q. When did you have the six? What year was it that you had the six? Just give me your best estimate.

A. Well, two years ago I had three. Six was around '58. I believe it was around 1958.

Q. You have more accounts now than you had in 1958, don't you?

A. I think so.

Q. You have found, I take it, then, that you, with one employee, are able to do the work that you formerly did with more employees, is that correct?

A. No.

Q. Is it because the nature of your work, the nature of the services you provide in the telephone answering, that you are able to do with one employee what normally you needed more employees for?

A. Yes, that is one reason.

Q. What are the other reasons?

[fol. 6561] A. We do certain types of installation to prevent servicing, recalls. In other words, you might say it is preventative installation. You install it in such a way that you reduce your service calls on these occasions.

Q. Are you saying that you offer to customers, or potential customers, different kinds of service, one of which is the type you have just described, for which you pay more, or are you talking about some advancement, that there has been some advancement of the art?

A. There is no advancement of the art. It is just making sure that it is installed properly. Naturally, in everything, there must be some preventative methods of doing a certain job.

Q. Are you saying, Mr. Zimmerman, that in the course of the last twelve years, since you started Ace Alarm, that you

have learned more about it, and now the initial installation is made in a better way than it used to be, or is it that the equipment is superior, or what?

A. Well, we live and learn every single day. We learn continuously until we die.

Also, the equipment today is better; the material today is better.

• • • • • • •

[fol. 6562] How many different types of service does your company provide? You have mentioned locals.

A. We provide direct line to Police Departments in areas where it is acceptable to the Police Department in those cities, small towns around the Pittsburgh area.

Q. Do you provide direct-connected service in any other State?

None in any other State.

Q. West Virginia or Ohio?

A. No.

[fol. 6563] Q. When I asked you a moment ago about the number of your accounts today, and you mentioned up to 500, were you thinking of all of your accounts, or your local accounts?

A. No, I was thinking of all.

Q. That would include, therefore, your direct-connected accounts?

A. Yes.

Q. Now, how does that direct-connected service work? Is that done through leasing telephone wires?

A. That is done through the leasing of the telephone wires.

Q. Is that permitted here in Pittsburgh, in the City of Pittsburgh?

A. No. The alarms which were in the various Police Departments of the City of Pittsburgh, when it was permitted, can remain in, but there is no additions that have been allowed in, say, close to eight years.

Q. Do you have some connected with the local police, Pittsburgh Police Departments, that you have had prior to the change?

A. Yes.

Q. Having in mind your approximate 500 figure of ac-

counts, what is the approximate division, as between locals and direct-connected accounts?

[fol. 6564] A. I think it is around five to six per cent.

Q. Which way?

A. For direct-connected.

Q. About five per cent of your total are direct-connected accounts?

A. Yes.

Q. What other types of service does your company furnish?

A. Direct line, going into a telephone answering service. Ace Burglar Alarm furnishes the equipment. They merely respond to the signal in the event there is one, and notify the police immediately.

Q. When you say they, who?

A. The operators in the various TAS branches.

Q. This is your central station supervisory system you are talking about. Is that what you talk about in your advertisement in the Pittsburgh Classified?

Mr. Levy: I object to the question. You are leading the witness.

A. The way the ad reads, in the telephone advertisement.

Q. Do you know what a central station system is, Mr. Zimmerman?

A. Yes.

Q. Did you have any experience with such systems while [fol. 6565] you were with Morse?

A. No.

Q. Did Morse render that type of service while you were with them, if you know?

A. He was building such an office board at that time, but I was not with him. I was—I had left to take over Pittsburgh for him, and during that period he was building a board.

Q. When you say he, who do you have in mind?

A. I mean Morse Signal Devices.

Q. Are you thinking of some particular person?

A. Well, I usually refer to, when I say he, Morrie Weinstein.

Q. Did he provide central service here in Pittsburgh, while you were Branch Manager here?

A. No.

Q. How far is Cleveland from Pittsburgh, approximately?

A. 135 miles. It might be a little shorter than that by the Turnpike.

Q. When you are speaking of approximately 500 accounts, are you including in there the telephone answering accounts, also?

A. Yes.

Q. What is the approximate division, as between your number of local accounts and your number of telephone answering central station accounts?

[fol. 6566] A. Of that five per cent, probably 50-50 of that five per cent.

Mr. Levy: Let's see if I understand this, Mr. Conkling. You mean 2½ of your total subscribers are telephone answering and 2½ are directly connected, and the rest are locals?

By Mr. Conkling:

Q. Is that approximately correct?

A. Yes.

Q. When did you begin to offer the telephone answering central station service that you advertise?

Mr. Levy: I object to the form of the question.

By Mr. Conkling:

Q. Mr. Zimmerman, do you understand that question? Mr. Zimmerman, you do advertise, as we have read before, "Central station supervised systems with direct connection to police headquarters." Now, you offered that to customers and potential customers here in Pittsburgh, is that correct?

A. Yes.

Q. You know what a central station service is, do you not?

A. Yes, I do.

Q. And customers whom you now service, with whom you [fol. 6567] do business, have accepted your business in the form in which you have advertised it, isn't that right, as central station supervised systems with direct connections to police headquarters?

A. They accepted, knowing that those go to a central telephone answering board.

Mr. Levy: Not to a central station?
The Witness: And not to a central station.

Q. Had any of those central station customers, as you described them, had central station service prior to the time they became customers of yours, if you know?

Mr. Levy: I think you should define what you mean, Mr. Conkling, by central station.
Mr. Conkling: I think the question speaks for itself.

A. Well again, it is the way you are phrasing the question that——
Q. Do you know what a central station service is?
A. I know what a central station service is.
Q. Have you discussed with customers, or potential customers, central station service?
A. T A S supervised?
Q. Yes. Has any customer, whether you now have him or tried to get him and didn't, asked you what central [fols. 6568-6569] station service is? Did you explain it?
A. Did they ask me? They all know what TAS is.
A. And they know it—you say that at least those you have talked to about it know what it is, and you say that their understanding is, as you have expressed it here this morning, is that right?
A. Yes, the way the telephone ad expresses it.

• • • • • • •

[fol. 6570] Q. Have you had any difficulty over the last ten years obtaining any equipment or devices that you require in the operation of the business which you operate?
A. No.
Q. The devices and equipment that you have needed, you have always been able to obtain, if and when you want it, is that correct?
A. Yes.
Q. Describe a central station operation for me, as you understand it, Mr. Zimmerman.
A. A central station, as I understand it, from the Underwriters Manual, is a direct line—that would be telephone

leased direct line, or through a register. A register can handle from 1 to 15, or 1 to 30 subscribers, because one leased line—the station must be manned 24, hours, it must have someone to answer a trouble call during the 24 hours. On the premises there isn't any signal given. But a local must also have 24-hour service.

Q. Your central station supervised systems must all give a 24——

Mr. Levy: I object to the question.

By Mr. Conkling:

Q. Do your central station supervised systems, as you [fol. 6571] sell them and attempt to sell them, provide 24-hour service?

Mr. Levy: I object to the form of the question.

By Mr. Conkling:

Q. Answer the question. Is the telephone answering service on duty, if you know, 24 hours a day?

A. Yes.

Q. You didn't bring any contract forms with you today, I take it?

A. No.

Q. Do you use a written form of contract for the service which you furnish?

A. Yes, I do.

Q. Do you have more than one form of contract?

A. I do not. I maintain one contract, and the contract was changed a couple of months ago. I ran out of the contract, and I had new ones printed, and I have added clauses into the new contract that I did not have in any original contracts.

Q. As of today, is there one piece of paper that you use with your customers?

A. There is one contract.

Q. Notwithstanding you offer different kinds of service, there is one piece of paper that is used as the contract, is [fol. 6572] that correct?

A. Correct.

Q. And appropriate insertions are made in the face of the paper?

A. Right.

Q. Depending upon what your arrangement is, is that correct?

A. Right, correct.

Q. I am going to have to obtain from you a sample form of the contract. You say four months ago you made the change?

A. I believe it is four months ago that I had the new contracts made.

Q. Do you have a sample of the older form?

A. Yes.

Q. Well, then, will you, when you come to read and sign this, mark each of the two, indicating—would you indicate which is the old form and which is the current form, please?

A. Yes.

Q. I take it then there will two pieces of paper you will produce?

A. Yes.

Mr. Conkling: I will ask that they be deemed marked as Defendants' Exhibits 2 and 3, respectively, when they become a part of the record.

[fol. 6573] By Mr. Conkling:

Q. What is the usual term of your contract service?

A. Three years.

Q. Is that for any of the types of service that you render?

A. Yes.

Q. The usual term is three years?

A. Yes.

Q. Is there any provision in your contract concerning the ownership of the equipment that is used?

A. Yes.

Q. What is that provision, that you maintain them?

A. We maintain ownership.

Q. So far as you know, and in your experience in this business, Mr. Zimmerman, is that a usual form of provision?

A. Yes.

Q. Was it true of Morse while you were the Pittsburgh Branch Manager?

A. Yes.

Q. Do you know whether that provision for retention of ownership, by the servicing company, is required by any underwriting organization, such as the National—well, I will withdraw that. Do you know?

A. I do not know.

* * * * * * *

[fol. 6574] Q. Do you issue certificates?

A. Yes.

Q. What is the proportion of your accounts that are certificated as to non-certificated?

A. Between 5 and 10 per cent.

Q. Aren't certified?

A. Yes.

Mr. Levy: What accounts are you talking about, Mr. Conkling?

By Mr. Conkling:

Q. I said of all your accounts?

A. Yes. It would be rated around between somewhere between 5—somewhere in that figure.

Q. Approximately 5 to 10 per cent are certificated of all of your accounts?

A. Yes.

[fol. 6575] Mr. Levy: You are speaking of all of the accounts, or the total accounts, including telephone answering service? That is what I don't understand.

By Mr. Conkling:

Q. Well, I have said all?

A. Yes.

Q. Of your appoximate 500 accounts?

A. Around 5 per cent.

Q. Are certificated?

A. That's right.

Q. And 95 per cent approximately are non-certificated?
A. Right.

Q. Has this three-year provision, three-year term of your usual contract always been that, from the beginning of your business?

A. That has been a policy in our effort, but there are times when we must change to the conditions of the lease that the person has on that premises, so we make it concurrent with the lease in many cases.

Q. If his lease should expire in less than three years, you will conform your contract terms to his lease term, is that the idea?

A. Yes.

[fol. 6576] Q. I asked off the record some time ago what your gross revenues were for your last calendar year, 1961.

A. I don't know.

Q. Well, this information is readily available to you, I take it?

A. Yes. She is working on it.

Q. She is working on it?

A. Yes.

Q. We understand there is going to be a space left in the deposition, and I would like you to indicate, and I would like the reporter to set it up in this fashion, your gross revenue for each of the last five years, through 1961, commencing in 1957, and if you have your six months figure for 1962, I would like to have that, and would you break it down, and Mr. Reporter indicate on the left-hand margin the revenues as derived from each of the forms of business which you provide, local, direct connected, and central station supervised systems.

Mr. Levy: I object to that.

By Mr. Conking:

Q. Will you do that?

A. Yes.

Mr. Levy: The witness has called this a telephone answering service.

[fol. 6577] Mr. Conkling: The record will state what it says, Mr. Levy.

Mr. Levy: That's right.

	1957	1958	1959	1960	1961	1962
Local Alarm	165	154	145	154	154	153
Direct Connected	11	10	11	11	11	11
Central Station Supervised Systems				4	5	5

By Mr. Conkling:

Q. Now, Mr. Zimmerman, you say you are the salesman for your company?

A. Yes, sir.

Q. How have you been doing in these first nine months of 1962? Have you been selling new accounts?

A. Have I been doing——

Q. Have you been obtaining new accounts, selling your service to new accounts?

A. Yes.

Q. Can you tell me, generally speaking, whether the first nine months of 1962 are as good as the first nine months of 1961?

A. I would think so.

[fol. 6578] Q. Was 1961 an especially good year?

A. Yes.

Q. Now, would you also indicate—I asked you earlier, and there was place left for your insertion of your total number of accounts. I think this is an appropriate place for us to leave another space, wherein you will indicate for each of the same years, that I have just mentioned, for your revenue figures, '57, '58, '59, '60, and '61, and the first nine months of '62, the numbers of your customers, as to each type of service that you provide. In other words, there will be several columns, and then under each year there will be a figure of the number of your accounts. Understood?

A. I think so.

Q. How is that?

A. I think I understand. We can get a piece of paper and we can——

Q. Like so?

A. Yes.

	1957	1958	1959	1960	1961	1962
Local Alarm	17,837.13	18,782.02	20,565.75	20,910.07	23,600.23	10,909.22
Direct Connected	1,968.00	1,824.00	2,004.00	2,004.00	2,004.00	1,002.00
Central Station Supervised Systems				1,188.00	1,544.00	822.00

[fol. 6579] Mr. Levy: Off the record a minute.

Mr. Conkling: Yes.

(Discussion off the record.)

By Mr. Conkling:

Q. Are the systems and services which you provide to your customers, Mr. Zimmerman, approved by any insurance inspection or rating organization?

A. Do you mean the ones that are certified, the ones that carry the certification by Underwriters, is that what you mean?

Q. Start with that, yes.

A. Yes.

Q. What is the rating organization that gives that approval?

A. That is the Underwriters Laboratory, Protection Division of the Underwriters Laboratory.

Q. They approve the equipment which you use?

A. They approve the installation.

Q. Installation and the equipment?

A. That is correct.

Q. During your ten or twelve years of your company operations, have you always provided certificated service?

A. I think except the first year.

Q. Has the proportion of your accounts, as between certificated and non-certificated, remained about the same [fol. 6580] during that period, since you first provided certificated service?

A. I think so.

Q. Is there any procedure that you had to go through in order to obtain the approval of the Underwriters Labs?

A. Yes.

Q. Yes.

A. Yes.

Q. Would you tell me briefly what that procedure was?

A. Besides the initial he required, we had to turn in a double circuit wired screen. That is what you call a double circuit wired screen. We had to wire it, and make it according to the Underwriters' method, and send it to them.

Q. And then in what manner do they approve the installation? That comes later, does it?

A. Later, you must have three installations installed with Underwriters' method, by their various books, and also the equipment must have the Underwriters approval label on it. Once you have that they will come out during their regular inspection period and inspect these installation, and if they find them to be correct, within due course you will have a certified Underwriters approval to the installing company.

Q. Isn't the service that you provide to your non-certificated essentially the same as the service you provide [fol. 6581] to your certificated, or is there some difference?

A. It is the same.

Q. It is the same thing?

A. We operate it as the same.

Q. Well, what is the distinction between the two? Why would some customers want certification? Is there a reason for it?

A. Well, the reason is—the distinction is that with a certified installation they get a discount from their burglary insurance.

Q. With the certification they obtain?

A. Yes.

Q. With the non-certification they do not?

A. That is the individual company's——

Q. The individual insurance companies, do you mean?

A. Insurance companies. They have their own rules of guidance, and some do and some don't.

Q. Do you have in Pittsburgh any area which has any particularly high crime rate, so far as you know?

A. All of Pittsburgh.

Q. All of Pittsburgh?

A. All of Pittsburgh. All around the country.

Q. Do you know whether your central station supervised systems customers receive any insurance discounts? [fol. 6582] Mr. Levy: I object to the form of the question.

By Mr. Conkling:

Q. Answer the question if you understand it.

A. I personally do not know whether they do or don't.

Q. Have any of them told you whether they do or do not?

A. Just a minute there. Off the record here.

(Discussion off the record.)

A. No, they haven't. I don't see of any reason why they should discuss that part with me.

Q. Do you know whether, under block policies of insurance, subscribers to your service may obtain insurance discounts?

A. I think they do receive some credits for it.

Q. What is the source of your belief?

A. In certain areas the insurance company will require that it go into a Police Department, or through a T A S board. If Ace Burglar Alarm doesn't have a central office, as you speak of central office——

Mr. Levy: I think the question was, what was the source of your information to this effect.

A. Only because some insurance companies have requested that it go into either a T A S supervised, or to a police station direct, that I assume because of that they [fol. 6583] request that. I am merely assuming because of their request that they might be giving a discount.

Mr. Levy: They requested you specifically, the insurance companies, that is?

The Witness: Yes, they call me up and ask me specifically, yes.

By Mr. Conkling:

Q. Do you know whether the percentage of premium discounts is the same for all of the approved services which your company furnishes?

A. Well, let's say that again, now.

Q. Do the insurance discount rates vary from service to service, if you know, the type of service?

A. Well, all I know is under their extended certified installation there is a certain amount of credit given under

insurance, and that is published by Underwriters Lab, an accepted method under the installation.

Q. Do you furnish your certificated customers with a certificate?

A. Yes.

Q. Something like that, loose like that (indicating)?

A. Yes.

Q. I show you a form of certificate, Mr. Zimmerman, [fol. 6583] and ask you whether that is the type of certificate which your company issues, and if not, in what respects does it differ?

A. It differs that this says "Substation Grade A Local," and mine would read, "Grade A Local." The same would be true of this paragraph here, where they have the same. That would be true in the paragraph here. It would read "Grade A Local."

Q. Do you know what the difference in discount is as affected by the two different certificates?

A. The range can be from 20 to 70 per cent, but for that 70 per cent there are many additional stages that you must conform with, additional installations, in order to receive that 70 per cent.

Q. Well, how close to 70 per cent do any of your customers get, if you know, when they get the best from you they can get?

A. They can't get 70 per cent from me.

Q. No, I say, how close to 70 per cent can they get, if you know?

A. They can get from me up to 40 per cent.

Mr. Conkling: Let the record show that in my several previous questions to Mr. Zimmerman I was referring to a paper which was marked Defendants' Exhibit No. 7 for identification on July 25, 1961, in the course of a deposition in this case.

[fol. 6585] The Witness: That 40 is also based on the additional requirements and installations, as I mentioned that would be required to get that 70 per cent.

By Mr. Conkling:

Q. I show you a booklet entitled "Manual of Burglary, Theft and Robbery Insurance, Rules and Rates." Have you ever seen such a book before?

A. Yes.

Q. Are you generally familiar with its contents?

A. Yes.

Q. This book does contain, does it not, a statement of the discounts afforded with the various types of service?

A. Yes. With exceptions.

Q. And I assume——

A. With many exceptions.

Q. Do I assume correctly that your knowledge and testimony of what the rates of discount are for the various types of service is based upon what is contained in this document, in this booklet?

A. I don't know what the latest is. It looks like you have the latest there.

Q. This appears to be a 1958 edition.

A. The same thing would hold true today, with their [fol. 6586] established rating, as stated before.

In a final analysis, it does not mean that the subscriber will receive that. Certain conditions can prevail, the building that it is in, the construction of the building, the—whatever—whoever occupies either side of him has a lot to do with the final discount he will receive.

Q. Does your business now operate out of one location?

A. Yes.

Q. It is the address stated in this Classified section, Page 128?

A. Right, correct.

Mr. Conkling: I will ask the reporter to mark on Page 128 Defendants' Exhibit 4 for identification.

(Thereupon, Defendants' Exhibit No. 4 was marked for identification.)

Mr. Conkling: Would you mark the reverse side of that No. 5 for identification?

(Thereupon, Defendants' Exhibit No. 5 was marked for identification.)

By Mr. Conkling:

Q. Pittsburgh is located in Allegheny County?

A. Yes.

Q. What is the approximate area, if you know, of Alle-
[fol. 6587] gheny County, or what is the radius out in miles, from the center?

A. I would say in some areas it would go as far as 12 miles, and in others not over three miles.

Q. Does your company render service in counties other than Allegheny County, Pennsylvania?

A. Yes.

Q. Would you name the counties for me, please?

A. You got me. I don't know, other than Allegheny.

Q. I am sorry, I didn't hear you.

A. I don't know what counties these cities are in.

Q. Well, perhaps if it is easier, would you mention the cities in which your company furnishes service?

A. Monongahela, Glassport, New Eagle, McKeesport, North Versailles Township, Bridgeville, Greentree, Arona, Springdale, Monroeville, Schuyler, Ross. Is that enough?

Q. Have you touched upon all of the places?

A. I tried to go around.

Q. Are all of these cities and townships you mentioned in Pennsylvania?

A. Yes.

Q. Are they all served by your company from its address here in Pittsburgh?

A. Yes.

[fol. 6588] Q. What is the distance to the furthest away, approximately?

A. 30—and Washington, Pennsylvania, is another one. 37 miles—no, between 37 and 40 miles.

Q. Your most distant customer, I take it, is about 40 miles away?

A. Yes.

Q. Did you furnish or render any service, or do any business in any other State, West Virginia or Ohio?

A. No, no.

Q. I understand that your entire business operation now is run by yourself as the boss, with the assistance of your wife, who does some office work for you, plus a man who is your installer and service man, is that correct?

A. Yes. I will service and install if I have to.

Q. But essentially that is the setup that you have?

A. That's right, right.

Q. These cities and towns that you have mentioned, which you serve, are the types of service that you would render to your various customers in all of the cities—withdraw that.

Do you render all of the types of service which your company does furnish to customers in all of these cities?

A. No.

Q. Or in most of them?

[fol. 6589] A. In these various cities that I named, it is mostly a telephone line into a Police Department.

Q. Is that what is called direct connected service, or remote station?

A. Right.

Q. Do you have any mobile—any automobile that is used in your business as a station, or as a——

A. No.

Q. Do you provide any watch or guard service?

A. No.

Q. When you say most of it, in the cities which you have mentioned, as direct connected, there are some, I take it, who have the central station supervised, that you have described?

A. Those are all going into Police Departments, besides the locals.

Q. Well, then, to put it another way, are all of your central station supervised customers in the City of Pittsburgh?

A. T A S supervised?

Q. Yes.

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[fol. 6590] What is the equipment that is used in your supervised systems, as you have described them?

A. A Demco.

Q. What is the equipment itself, as distinguished from who makes it, who supplies it, what kind of equipment?

[fol. 6591] A. I have to distinguish it from what other

Q. Well, the equipment that you use in your central sta-

tion supervised systems, as you have described them, is the same as the equipment you use in direct connected service or local service?

A. It is the same as the direct connected service.

Q. Do you manufacture or assemble any of the equipment which you use?

A. Only in rare cases where we need something that is not on the market, so we make it.

Q. Have you done that recently? Is it something that is not on the market that you have made recently?

A. Well, to date practically everything is on the market.

Q. Today practically everything is on the market?

A. Yes.

Q. You mentioned Kiddy and Demco as supplying some of your equipment. Who are some of your other suppliers?

A. Beside those, Elbe Products. That is a high frequency sound equipment.

Q. Any others from whom you purchase the equipment you need and use to run your business?

A. Yes, Imperial Products.

Q. Where are they?

[fol. 6592] A. Imperial Products are in Long Island, New York.

Q. Any others? Do you buy from the Potter Company?

A. No.

Q. Minneapolis-Honeywell?

A. No.

Q. General Telephone & Electronics?

A. No.

Q. Any others that you can think of?

A. Besides the batteries, which would be Brite-Star.

Q. In any event, as of right now, whatever you need or want for the use of your business, you are able to get when you need it, is that true?

A. Correct.

Q. And has that been true in recent years?

A. Yes.

Q. Have you ever heard of a company named Reave Electric Company?

A. Yes.

Q. Have you purchased any equipment from that company?

A. No.

Q. Is there a company called Central—did you say no, sir?

A. No.

Q. Have you ever tried?

[fol. 6593] A. No.

Q. Central Station Signals?

A. Yes, I have bought from them.

Q. You have. Is that in New York.?

A. That is in New York.

Q. Is there an outfit, or a supplier named Couch?

A. Couch?

Q. Couch.

A. How is it spelled?

Q. C-o-u-c-h, I think.

A. I don't know of them.

Q. How about Electric Protection Company? Perhaps you mentioned that.

A. I mentioned them. Is that—Electric Protection? No. Electric Security is radar. You might be speaking of the one in Massachusetts.

Q. I believe so, but I am not certain.

A. I have bought from them.

Q. I suppose there are others that I haven't been able to name, and that you haven't been able to name?

A. The Tape Switch Company.

Q. Have you ever had any difficulty in obtaining any of the equipment you needed to run your business?

[fol. 6594] A. No.

Q. From time to time during the last 12 years, in the operation of your business, Mr. Zimmerman, has there been a termination of your relationship with your customer? Has business come to an end, or have all of your accounts remained with you?

A. No, you will always have terminations.

Q. Leases expire, and people move out and so forth?

A. Right.

Q. When that occurs, where a lease expires, and your customer doesn't live there any more, do you remove your equipment?

A. We will contact the renting agency.

Q. The renting agent or management agency?

A. And make an arrangement.

Q. And try to get the next tenant in there, is that right?
A. Right.
Q. If you do, of course, you make a new contract?
A. Right.
Q. And if you don't, for any reason, you remove your equipment, do you?
A. Right.
Q. And has this always been your practice?
A. Yes.
Q. That is, if there is a termination of an account, if you [fol. 6595] don't get a new account at the same premises, have you always removed your equipment?
A. If the new account——
Q. If you don't get the new business——
A. Yes.
Q. ——the new account, you have always removed your equipment?
A. Yes.
Q. What, generally, are the types of businesses or industries that you render your service to, Mr. Zimmerman? I mean, by kind, jewelry shops, liquor stores, and so forth?

Mr. Levy: I object to that question.

A. We hope we are renting it to everything, but whether we get that is up to them. But you mean whether we would install it for anyone that would contact us?
Q. Yes, if he could pay your price, would you?
A. Yes.
Q. Is there any type of store or place of business that you can think of that is protected by a central station service that you could not render service to?

Mr. Levy: Are you using that term as you have throughout the rest of this deposition, as a telephone answering service, or as solely central service station? Exactly how [fol. 6596] are you using that?

By Mr. Conkling:

Q. Well, there is only one way, central service supervised systems?

Mr. Levy: And you are including, according to your definition, telephone answering service?

Mr. Conkling: Of course, that is where it belongs.

Mr. Levy: Well, he does render that service, Mr. Conkling. He has testified to it.

By Mr. Conkling:

Q. Is there any particular type of business that you feel could not be adequately protected by a local alarm as distinguished from some other type of service?

Let me put it this way: Do you know of any liquor store, let us say, in Pittsburgh, which is protected by a central office service? Can you think of anyone in Pittsburgh of that type?

A. We don't have liquor stores in the State of Pennsylvania. They are Pennsylvania State-owned.

Q. Well, I will withdraw that. Substitute jewelry shop. Can you think of any jewelry shop in Pittsburgh that is protected by a central office service, such as Mr. Levy has been talking about?

[fol. 6597] Mr. Levy: Well, I haven't been talking about it yet, Mr. Conkling.

Mr. Conkling: Well, several times in the record you attempted to make a distinction.

Mr. Levy: In other words, you are excluding now telephone answering service?

Mr. Conkling: For the purpose of this question, yes.

A. Only by local, you say, whether a local in a jewelry store can give as good protection as one that is central station in the manner that you speak of central station, or are you referring to——

Mr. Conkling: Yes.

Mr. Levy: No, I think he refers to the manner in which I speak of central station.

A. Oh. Well, personally, I feel that we can protect it. That is my personal reasoning.

Q. Thank you, Mr. Zimmerman.

Is there are procedure that you follow when you call upon someone who doesn't have service, that you seek to sell, when he contacts you for service? What do you do? Tell me generally what your practice is? Do you go make a survey of the premises?

[fol. 6598] A. You make a complete survey of the premises. You draw an outline of it, and give them a proposal which outlines each protection unit that we are to protect, and also the method that we will use. The installation charge and the monthly rental service charge is then figured according to the units of protection, what is required in protecting the premises.

Mr. Conkling: Off the record.

(Discussion off the record.)

(Thereupon, there was a luncheon recess taken.)

[fol. 6599] (2:15 P.M.)

AFTERNOON SESSION

By Mr. Conkling:

Q. Have you quoted on a job, Mr. Zimmerman, without going to look and see what job it is that you are to try to protect?

A. Never.

Q. Would that be true of someone who owns—do you protect a jewelry store among your customers? Do you have a jewelry store?

A. Yes.

Q. If another jewelry store owner on the next block called you and wanted you to quote on protecting his shop with the same kind of service you have in shop No. 1, would you give him a quote or go to do something else?

A. I refuse under any conditions. I must physically see it and inspect it.

Q. Is that because each job is tailor-made, it is a problem unto itself?

A. A problem unto itself, right. That person may many times say that he only has two doors and a window, and you will find six times as much as he said he had. So the best policy is never to call, go out there and inspect it, get it and then give him an outline.

Q. On your charges to your customers, for the service you [fol. 6600] render, and without getting into specifics, do you make an installation charge?

A. Yes, I do.

Q. Do you also make a service charge?

A. Yes, I do.

Q. Is that the correct terminology? Is the first charge called an installation, as far as you are concerned?

A. Called an installation charge, right.

Q. And the balance, the service charge, is paid periodically over the term of the——

A. Of the contract.

Q. Over the term of the contract?

A. Right. We call it a monthly rental service charge.

Q. Monthly rental service charge. Is this method of charging the same with respect to each of the types of service which you provide, locals and otherwise?

A. The method of protection is practically identically the same. It is a matter of the additional equipment that you would need at the location.

Q. And the charges, you say?

A. And the charges, also.

Q. In each instance you make an installation charge and in each instance you make a monthly rental service charge? [fol. 6601] A. Right. It will be billed under one billing, though.

Q. How do you compute, generally, your installation charges? Is it based upon certain factors?

A. Based on the unit openings.

Q. So much per unit opening?

A. So much per unit opening.

Q. Is there any other factor which enters into your calculation?

A. Yes, there are others that come into it. As we said before, if he wants us to certify the alarm, it would be more than it would be for a non-certified, because the difference would be in the cost of the equipment.

Q. The cost of the equipment is more, greater?

A. Right.

Q. Is there any other factor? Then, of course, you have a profit load factor, I take it, in your installation charge, do you?

A. A what, now?

Q. A profit element in your installation charge?

A. No, we make no profit off of the installation.

Q. You hope to get that in your service payments?

A. We try to get the cost of the equipment and the labor out of installation. That is the way I price them.

[fol. 6602] Q. You said a moment ago that you sent one bill with both on it. Is that because you expect—how do you mean that? You bill for an installation charge X dollars, and then what the service charge is at so much?

A. Right.

Q. A bill for so much a month?

A. Right.

Q. And you are paid each month?

A. Each month. But the installation is paid when the installation is completed.

Q. In every instance?

A. In every instance.

Q. You can get it?

A. I was only forced in one instance where I had to meet a competitor, allowing a spread over a three-year period.

Q. Has no customer of yours ever asked you whether he could split the installation charge over a period of his term, or over some portion of his term?

A. The only ones that I have had to ask me that were the ones who had been approached by another company, who was offering that.

Q. If one of your customers should ask, and said to you, "Zimmerman, I can't afford to pay it all at once, I would [fol. 6603] be obliged if you would allow me to pay it over a period of time, otherwise I can't take your service, won't take it," what do you do?

Mr. Levy: I object to the form of the question.

By Mr. Conkling:

Q. Do you understand the question, and if you do, answer it.

A. If it is a respective subscriber where my competitor has offered that, I will try to meet it. The only other time that a spread of any kind would be allowed would be no more than 90 days.

Q. If they asked for 90 days, and if they ask hard enough, you will allow it, is that a fair statement?

Mr. Levy: I object to the form of the question.

A. That would be the only time that I would give them 90 days.

Q. Do you make any charge for that? I mean, did you add any element of interest to the service charge?

A. No, I have not. But it hasn't happened enough to even add on my one hand.

Q. When you said a moment ago, in one installation that you recall you were forced to——

[fol. 6604] A. Yes.

Q. That is here in the City of Pittsburgh?

A. Yes.

Q. You learned of someone else bidding on the job you were hoping to get, is that what you mean?

A. Yes.

Q. And it came to your attention?

A. Yes.

Q. That an installation charge was going to be allowed to be spread?

A. Right.

Q. And in order to meet that, you said you would do the same thing?

A. I did.

Q. Did you get the job?

A. I did.

Q. Do you still have it?

A. I do.

Q. Who was the competitor whom you say competed with you in that instance?

A. Holmes.

Q. The Holmes Electric Protective Company?

A. Yes.

[fol. 6605] Q. Do you know, incidentally, Mr. Zimmerman, anything about the nature of the case that happens to bring you here today as a witness?

A. Well, I really don't not in the way you put it.

Q. Well, I didn't think—I didn't mean to be putting it in any way except to ask. Have you ever seen a copy of the Government's complaint in the case?

A. Not a copy, no.

Q. Well, this paper that I show you is a copy of the Government's complaint. Have you ever seen such a paper as that before?

A. No.

Q. Did Mr. Levy discuss with you, when he talked with

you on last Saturday, any portion or any part of the Government's complaint in any way?

A. That they had——

Q. Filed a suit?

A. Filed a suit.

Q. Did he name the defendants in the case?

A. He named the defendants in the case.

Q. Who are they, as you recall?

A. Grinnell, and A D T.

Q. And anyone else?

[fol. 6606] A. Yes, Automatic——

Q. Fire Alarm Company?

A. Yes.

Q. And Holmes?

A. Well, I can't remember whether he said Holmes or whether—I don't know. It is hard to say.

Q. Well, you see, I show you a copy of the complaint, and you see there are four defendants named, including Holmes Electronic Protective Company?

A. I know Holmes was mentioned.

Q. By Mr. Levy, you mean?

A. Yes, I know Holmes was mentioned.

Q. In what connection?

A. As a part of the complaint the Government was making.

Mr. Conkling: Would you read that answer back to me, please?

(Answer read.)

By Mr. Conkling:

Q. Well, did Mr. Levy say anything about any defendant, or ask you whether you had any particular knowledge about any defendant?

A. He asked me—yes, he asked me if I had——

Q. Any gripes?

[fol. 6607] A. Come across any of these various questions against A D T or Holmes, or——

Mr. Conkling: Would you read that answer back?

(Answer read.)

By Mr. Conkling:

Q. Any of these various questions. You mean did he show you a paper with questions on it?

A. No, no, no.

Q. What do you mean? I don't understand your question.

A. He asked me who my competitors were in the city.

Q. Yes.

A. And I named them.

Q. Did you name those whose names appear in the Classified section, Defendants' Exhibit 5 for identification, 4 and 5?

A. I named who I felt were competitors.

Q. Well, did you name the Holmes Company?

A. Yes, yes.

Q. Did you name any other defendant in this lawsuit?

A. Yes.

Q. Which other defendant. Did you name them all?

A. A D T.

Q. Yes.

A. The other competition, I named Fidelity, and I named [fol. 6608] Cauley.

Q. I missed the last name.

A. Cauley.

Q. Holmes, A D T, Cauley, and——

A. Fidelity.

Q. Fidelity. You name those as your competitors here in Pittsburgh?

A. Right.

• • • • • • •

[fols. 6609-6613] Q. Has your business, without being specific about it, been profitable since, well, over the last five years?

A. Well, it has grown, yes, continuously. But in a very small way. But it has grown, yes.

Q. Do I take it you are pleased with the gross you have, but you would like it to be larger, is that what you are saying to me?

A. Not pleased. It is growing, but it should grow at a faster rate.

Q. Do you have any other complaints of any kind, or gripes, or anything that is troubling you in your own mind that you had not mentioned to Mr. Levy, that comes to your mind now, about any defendant in this lawsuit?

A. No.

• • • • • • •

[fol. 6614] Q. Now, have you found, Mr. Zimmerman, over the last ten years, during which you have grown from no accounts up to approximately 500 accounts, are you able to say whether in most of those jobs you were competing with the companies that you have named as your competitors?

Mr. Levy: Does that include A D T?

Mr. Conkling: I say whatever he has named.

[fols. 6615-6618] Mr. Levy: Well, that is a pretty vague question. He has named a lot of companies.

Mr. Conkling: No. He named four as his competitors. It is very clear.

Mr. Levy: Do you know which four companies Mr. Conkling is speaking of, Mr. Zimmerman?

Mr. Zimmerman: Yes. I vividly remember saying four.

By Mr. Conkling:

Q. The answer is yes, then?

A. Who are my competitors on most of the——

Q. During the ten years approximately that you have grown, from where you began to where you are, you have competed especially with the same companies, four companies that you have named, on most of the jobs that you sought to obtain, is that not true?

Mr. Levy: I am going to have to object to that question.

A. Yes.

• • • • • • •

[fol. 6619] Q. This 500 accounts number, that we have been talking about, do I understand correctly that this includes all of your accounts of every type?

A. Right.

Q. Do you know how long the Holmes Company has been in business here in Pittsburgh?

A. I would say over 40 years.

Q. Do you know how long Fidelity has been in business here in Pittsburgh?

[fol. 6620] A. As a burglar alarm company?

Q. Well——

A. As a burglar alarm company I would say the maximum was a year and a half.

Q. Before that what were they? What kind of company were they? Did they provide watchman guards, patrol service?

A. They provided watchmen, stickers on stores, shakedown stores, whatever you call it.

Q. For how long approximately have they been in this form of business, to your knowledge?

A. To my knowledge I would say here in Pittsburgh a little over a year that I knew of.

Q. You mean a year back before they——

A. Yes.

Q. —expanded their business, is that what you mean?

A. Yes.

Q. Now, have you solicited new accounts where Fidelity —that is, during the year, until they took in this expanded service, did you compete with Fidelity and find yourself bidding for new accounts when they were seeking to provide watchmen and door stickers and so forth?

A. Yes, sir.

Q. And the Pittsburgh Alarm Service, how long have [fol. 6621] they been in business?

A. They have been in quite a long time.

Q. Longer than you?

A. I think so. I did it on the side for quite a while. I think it was called Porter Alarm at that time. So he has been in it quite some time.

Q. You say Porter. Is Porter the name of the——

A. It used to go under Porter Alarm.

Q. Is there a Mr. Porter who runs it?

A. That I don't know.

Q. Do they provide the same type of service, if you know, that you do?

A. No, they do not have—they are not certified.

Q. Is Fidelity certified?

A. Yes.

Q. How about Allied Detective Agency, how long have they been in Pittsburgh?

A. Well, I would say about, in supplying guards, around four or five years.

Q. Are they supplying—you say guard service. Are they supplying guard service at any place of business that you sought to obtain as an account?

A. To my knowledge, no.

[fol. 6622] Q. You don't know whether each of you bid on the same job at any point during the last five years?

A. I have never ran across Allied on a bid.

Q. How old was Bell Burglar Alarm Company—I take it it was in business for just a short time, while you were a partner?

A. Yes, that's right.

Q. Then Kammer continued it, and more recently it has been acquired by Cauley, is that right?

A. Yes, Kammer continued it for a short time, and sold it to Cauley.

Q. How long has Cauley been in business here in Pittsburgh?

A. I would say now about eight years in the alarm business. Previous to that he had supplied guards, patrol service.

Q. Over those eight years have you encountered Cauley in your day to day seeking after business?

A. Yes.

Q. What is the purpose of the protective service that you furnish to your customers, Mr. Zimmerman?

A. What is the purpose?

Q. Yes, sir.

A. Well, the purpose is to prevent a loss due to someone attempting to enter by breaking in.

Q. Do you furnish service which protects against any [fol. 6623] other hazards than breaking and entering?

A. Some holdup.

Q. Any other?

A. We connect a fire stat to an alarm ringer.

Q. An automatic fire alarm service?

A. Not automatic fire alarm, not sprinkling system. It is not that type. Service stations.

Q. And they do what?

A. They will signal a fire when the temperature rises above 135 degrees Fahrenheit, or if the thermostat is located in a boiler area, where it rises above 180 degrees Fahrenheit.

Q. Where does the signal go to?

A. Some go to a Police Department and others ring the bell.

Q. Do you furnish service to any schools in Pittsburgh?

A. No, sir.

Q. Do you know the Gamewell Corporation?

A. I know of them.

Q. Do they furnish any service to any schools in Pittsburgh, if you know?

A. Well, they must use a Gamewell box in order to go through the city's central fire division.

Q. Do I understand correctly, Mr. Zimmerman, that the large bulk of your subscribers do not receive insurance [fol. 6624] discounts so far as you know for the service which you give them?

A. That's right.

Q. Has it been your experience, sir, over the last ten years, that the existence of insurance itself, that subscriber or potential subscriber has insurance, is a reason why you do not sell him a service?

A. No. It is due to the insurance companies that the alarm industry has been able to progress and grow.

Q. You mean that—well, I will withdraw that.

Is it true that in some instances business people cannot get insurance unless they do have a protective service of some kind? Is that what you had in mind in your last answer?

A. In many risk areas, yes. The insurance company does not actually require that a certified certificate alarm be installed, but a protection with a certified company be installed.

Q. Do you from time to time run up against potential subscribers who say, "Well, I hear what you say, but I have got insurance, and that is all I need"?

Mr. Levy: I object to the form of the question.

By Mr. Conkling:

Q. Have you ever heard that from someone from whom [fol. 6625] you are trying to solicit business?

A. Yes. Naturally I have heard it. But what he doesn't realize is that in the event he does have a loss probably he will be cancelled out by the insurance company he has at that particular time, and his rates will go up. In that case he has to find a different insurance company to write his insurance.

Q. What is the approximate division of your total number of accounts, as between burglary, holdup and fire?

A. Oh, very little holdup.

Q. And as between burglary and fire?

A. Burglary and fire?

Q. Can you reduce that to some fairly accurate percentages for me?

A. One per cent, you might say.

Q. One per cent of fire, plus holdup, you mean, or one per cent for each?

A. One per cent for both combined, practically. Holdup, to speak of, is run into a T A S supervised board.

Q. What is your opinion, Mr. Zimmerman, based upon your experience in this industry, as you have described it in the record here today, as to whether competition in the field of protective service in Pittsburgh is increasing or decreasing?

A. Well, that would be hard to answer.

[fol. 6626] Q. Well, of the companies whom we have named, and whose names appear in Defendants' Exhibits 4 and 5, the Classified pages, how many have been here longer than you, and how many since you have been in the business?

A. Of the four that we talked about, Holmes has been here the longest in the burglary alarm, and as far as A D T——

Q. And then came you and then came the other two, is that right, Cauley and Fidelity?

A. Right.

Q. And of course, there are several other names we have mentioned, and I think you have already testified of approximately how long they have been in Pittsburgh?

A. Yes.

Q. Have you had any local account customers who have switched to your central station supervised system?

Mr. Levy: I object to the form of the question.

By Mr. Conkling:

Q. Do you understand my question, and if you do, please answer.

A. If I have had any local account of my own who has changed to my own T A S supervised system?

Q. Yes.

[fol. 6627] A. Offhand I can't recall any.

Q. Based on your experience, has there been any switching back and forth from one type of service to another, from local to central station, or vice versa?

A. There has been some.

Q. From local to direct connected, or vice versa?

A. Now, when you speak of that first one, you asked, had there been any switching from local to central station, and you are not speaking—you mean from my company to somebody else's company?

Q. Well, either, within your company or outside, if you know?

A. There has been some.

Q. Has it been the other way around, too, switching from other companies to your company?

Mr. Levy: From other local companies, central station companies, what exactly do you mean?

By Mr. Conkling:

Q. I mean any? We will take them one at a time, if it is easier for you.

A. Some, very little.

Q. Some in all fields, is that true?

A. Very little in either direction.

[fol. 6628] Q. But there has been some? You haven't measured it, I take it, but there has been some?

A. Yes.

* * * * * * *

Q. Has any defendant, to your knowledge, attempted to restrict the operations of your company in Pittsburgh, or in the areas in which you operate?

A. Not—no, I do not know of that.

Q. Can you think of anyone, any person, firm or corporation, who has attempted to enter the protective service [fol. 6629] field in Pittsburgh who has not been able to?

A. I don't have any knowledge of that, no.

Mr. Conkling: That is all.

Mr. Levy: Do you want to take a few minutes?

(Short recess.)

Mr. Conkling: Mr. Levy, I find there are two or three more questions.

By Mr. Conkling:

Q. I take it, Mr. Zimmerman, you have no standard price list for the services which you offer?

A. Yes, I have a standard method of pricing, by unit price.

Is there anything in writing that you have that you submit to people, potential customers?

A. No, not in advance.

Q. Have your prices increased generally over the last ten years?

A. They did increase up to a point. Well, I will put it this way, I find in the year of '62 you have to price according to what your competitors are doing, in order to meet it. But up to '62, naturally that has increased, because the equipment has become more costlier, and labor has become more costlier.

Q. One final question. You will recall that we have left several spaces in this deposition. In one of those spaces you [fol. 6630] are going to give me the number of your customers for each of the years specified, and each of the different kinds of service, and then in another space, you will insert your gross revenues for the same period, and for the years in question, broken down by the same types of service.

Now, I am going to leave one last space at the end here for you to state, either your net profit in each of those

same years, or the percentage of comparison of your earnings to your capital. I don't care how you state it, in dollars or rate of profit.

A. How do you get it? How can you do one percentage? Doesn't the percentage mean—won't a percentage bring you to your net profit?

Mr. Levy: May we go off the record for a moment, please?

By Mr. Conkling:

Q. But you understand the same stipulation exists, our clients will not learn about it until it comes up for trial?

Mr. Levy: Off the record.
Mr. Conkling: All right.

(Discussion off the record.)

	1957	1958	1959	1960	1961	1962
Net Profit	4466.95	5109.09	6634.24	3207.55	8044.36	Not Available

[fol. 6631] Cross-examination.

By Mr. Levy:

Q. Mr. Zimmerman, could you state the approximate dollar amount of equipment which you have purchased for use in your business during the past year?

Mr. Conkling: Is this 1961 you are talking about, calendar year?

By Mr. Levy:

Q. Calendar year, 1961?
A. About between three and four thousand.
Q. Three and four thousand?
A. Yes.
Q. Have you ever, since you have been in the alarm business, experienced any delay in obtaining protection equipment of any kind?
A. No.
Q. On your direct examination you were discussing the subscribers who had switched from local alarm service

to your telephone answering service, to central station service?

Mr. Conkling: And vice versa.

By Mr. Levy:

Q. And vice versa. Now, I would like to be a little more specific. Has your company ever obtained, as a local [fols. 6632-6634] burglar alarm subscriber, a customer who formerly utilized central station burglar alarm service? When I speak of central station burglar alarm service, I mean that type of service provided by the Holmes Electric Protective Company?

A. Yes.

Q. Could you tell me how many subscribers you have obtained, who formerly utilized central station burglar alarm service?

A. Well, offhand I know I can recall three.

Q. You can recall three over what period of time? Would that be since you have started your company here in Pittsburgh?

Mr. Conking: I move to strike that part of the question, the latter part of the question, which is leading.

By Mr. Levy:

Q. You may answer the question.

A. Since I have been in Pittsburgh, you said?

Q. Yes.

Mr. Conkling: It is suggestive.

A. Yes.

• • • • • • •

[fol. 6635] Q. Have you ever obtained, as one of your local or remote station fire alarm subscribers, a subscriber who previously utilized central station automatic fire alarm service or sprinkler supervisory or water flow service?

A. No.

Q. Have any of your former subscribers, who utilized local fire alarm service, or remote station service, changed

to central station automatic fire alarm or sprinkler supervised or water flow service?

A. No.

Q. And is my understanding correct to the effect that you have a very few local and remote station fire alarm accounts?

A. Right.

• • • • • • •

[fol. 6636] Q. Now, are any of your telephone answering service systems Underwriter Laboratory certified?

A. They are certified to the extent that they are certified as a local. There is no additional credit given.

Q. To be certified as a local, they must at least meet all of the standards specified for local certification?

A. Yes.

Q. There is no additional credit given for the connection to the answering service, is that correct?

Mr. Conkling: If you know, Mr. Zimmerman.

A. As I know it—I do not know whether they do or don't. As I said, testified before, various insurance companies——

Q. I am asking about Underwriters Laboratory, sir.

A. Underwriters Laboratory does not.

Q. Now, you mentioned that some insurance companies had called you up and informed you that they were going to give premium discounts because your subscribers utilized telephone answering service, is that correct, sir?

A. No, I didn't put it that way, I don't think. I said that they called me and requested that it go into T A S or police. They did not tell me that they were actually giving credits. But they requested that they go into that, which I [fols. 6637-6639] usually take for granted, that in order for them to get the insurance they must go into some central point.

Q. You are just assuming that, though, or do you know that for a fact?

A. No, I am just assuming. The same as I don't know whether they are getting additional credits or not.

• • • • • • •

[fol. 6640] Q. Mr. Zimmerman, would you describe briefly how a T A S system operates?

A. A direct lines—a telephone leased line is run between the protected premises and the T A S nearest branch office. We provide the equipment that goes into that T A S office, and it is connected to the telephone leased line.

If a trouble signal occurs on the premises or an attempted entry, a buzzer and a light will sound at the T A S office. The operator will go over to the panel and punch a button which discontinues the noise, and leaves a red light burning. She will pick up the phone and contact the Police Depart-
[fol. 6641] ment and tell them that so-and-so, we have got a signal from so-and-so of a possible break-in. There is a name plate under the light to signify where the location is at.

Q. Does this operator you are speaking of have any other duties in addition to manning the signal board?

A. Yes, they have other services.

Q. What is the other services?

A. Answering service, which they sell.

Q. With respect to this particular service which your company utilizes, could you tell me how many operators they maintain during the night hours?

A. I think downtown it is two. It is two, and most of the branches up to, I believe, 4:00 o'clock, and then one operator from 4:00 until the next daylight shift comes on; 4:00 A.M. to the next daylight shift.

Q. When an alarm is received at the telephone answering service, I believe you stated the operator phones the Police Department. Is there a direct line maintained, or does she dial the Police Department? Exactly how is it done?

A. On some there is a direct line and on some she dials.

Mr. Conkling: Will you read that answer back?

The Witness: Some are on a direct line and some she dials.

[fol. 6642] By Mr. Levy:

Q. Do you furnish this direct line to the Police Department?

A. Yes.

Q. Does a guard from your company respond to the alarm

alone with the police, or is this *last* solely to the Police Dement to take whatever action it deems necessary?

A. It is solely up to the Police Department to take whatever action is necessary.

Q. Have there been many false alarms received at your telephone answering service?

A. No.

Q. Are the police dispatched on every alarm, or is there some——

A. On every alarm.

Q. On every alarm?

A. On every alarm within a 45-second delay.

* * * * * * *

[fol. 6643] Q. Have you had any general price increases, Mr. Zimmerman, within the last ten years?

A. Small ones, yes.

Q. At what time, do you recall?

Mr. Conkling: I think he has testified every year up until 1962.

By Mr. Levy:

Q. Is that a fact?

A. Not every year, no.

Mr. Conkling: Go ahead then. That is my recollection.

A. Now, wait a minute. I want to ask a question here now. When you ask me for price increases, what do you mean by price increases?

Q. When I say a general price increase, Mr. Zimmerman, I mean an increase which is applied to all subscribers, not to the individual increase, which might be for some particular reason imposed upon a subscriber. I am talking about across the board increase.

A. I thought you might be referring to increase in cost of equipment.

[fols. 6644-6646] Q. No, the increase in the subscriber's rate. Have you imposed any general price increases in the last ten years?

A. Yes.

Q. How many?

A. Two or three.

Q. Two or three. Now, at the times you imposed the increase, approximately how much of an increase was there?

A. From 8 to 10 per cent, and the last one was 8 percent increase, which merely included the Federal Excise Tax, which was to be included as extra. We took that in and increased it and made it a part of the additional rental.

• • • • • • •

[fol. 6647] By Mr. Levy:

Q. I believe you testified on your direct examination that at present you have no ultrasonic systems in operation?

A. No, but I have it in stock.

Q. What is the cost of an ultrasonic device?

A. Around $345.

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[fol. 6648] ACE OF SPADES BURGLAR ALARM CO.

Certified—Standard—Central Office—Auto Alarms—Fire Alarms for Stores, Factories and Homes
5658 Melvin Street—Pittsburgh 17, Pa.
Phone (day or night): JAckson 1-2737

Present contract used by Mr. Zimmerman 6/25/63, ERG.

Agreement made on the —— day of ————, 19—, between Ace of Spades Burglar Alarm Co., known hereafter as Party of the First Part, and———— of ———— Party of the Second Part.

Whereas, Party of the First Part has agreed to lease, install, and maintain on the premises of Party of the Second Part a "Burglar Alarm System," Party of the Second Part agrees to such installation, including all necessary equipment, under the terms and in manner set forth below.

That such system shall be installed on the above premises and shall be arranged to include the wiring of such portions of said premises as are stated in the work order, to which reference is hereby made, and which is attached hereto and made a part of this agreement.

That as consideration for such installation, Party of the Second Party agrees to pay Party of the First Part, its agents or assigns, the sum of ———— Dollars ($——) upon completion of such installation, and the further sum of ———— Dollars ($——) per annum for the contract period payable in advance monthly installments of ———— Dollars ($——) due on the first day of each month. All above charges subject to 8% Federal Excise Tax.

That the first monthly payment due hereunder shall be made on completion of the installation and that the term of this agreement shall begin at that time and continue for a period of five years. In event that Party of the Second Part makes a monthly payment in the month succeeding the date on which this agreement expires, this agreement shall therefore be automatically renewed for a period of five years upon the identical terms herein agreed upon.

That if Party of the Second Part fails to make any pay-

ment as agreed herein or defaults in any respect, the entire amount due under the contract for the balance of the contract period shall become due and payable, as stipulated damages hereunder. In the event of a default by Second Party, Party of Second Part hereby consents to said First Party entering the aforesaid premises for the purpose of removing all equipment installed thereon; Party of the Second Part also agrees that upon the expiration of this Agreement, Party of the First Part may enter said premises and remove the equipment as aforesaid. In any event, removal of the equipment by Party of the First Part shall not be nor be considered to constitute a waiver of its right hereunder to damages in accordance with the terms of this agreement. Party of the First Part shall not be liable for any damage caused to any part of premises by installation or removal of its alarm equipment.

That Party of the Second Part hereby agrees to indemnify Party of the First Part for any damage resulting to said equipment by reason of fire or any cause, and for alteration and for repairs necessitated thereby or for any reason, ordinary wear and tear excepted.

Defects or omissions in construction of said system must be called to the attention of the First Party within two days of completion of the installation. Upon the expiration of such period, the said installation shall be construed as accepted by the Second Party, the specific portions of said building to be wired as set forth in this agreement notwithstanding.

Party of the Second Part agrees to carefully and properly set such "Burglar Alarm System" every night, and to carefully test it daily during the term of this agreement. In the event any defect in the operation of the system develops, Party of the Second Part agrees to notify Party of the First Part immediately upon its discovery, and the latter Party undertakes to repair such defective condition as soon thereafter as possible.

This agreement in no way binds Party of the First Part as an insurer of the premises or property of Party of the Second Part. All charges and fees provided for herein are in the nature of installation and maintenance fees only, and in the case of loss or damage to the Second Party resulting by reason of failure of the performance of such

services, or the failure of the system to operate, its liability, if any, shall be limited to the sum of Twenty-five Dollars which sum is hereby agreed upon as liquidated damages. This liability shall be exclusive.

This Agreement constitutes the entire contract between the aforesaid parties, and no alteration thereof shall be valid unless reduced to writing and signed by both parties.

This agreement shall not be binding unless, and until, approved by the Home Office of the Party of the First Part.

Ace of Spades Burglar Alarm Co.

Party of the Second Part

By _____ _____
Agent Trade Name

By _____ By _____
Home Office Approval

[fol. 6649] Schedule of Protection

No. Protected Points	Description	Location	Type Protection	Remarks

[fol. 6650] Ace of Spades Burglar Alarm Co.

Certified—Standard—Central Office—Auto Alarms—Fire Alarms for Stores, Factories and Homes
5658 Melvin Street—Pittsburgh 17, Pa.
Phone (day or night): JAckson 1-2737

Deposition

P. 4

I began operating under the Name of Ace Burglar Alarm Co., which was registered with the State of Penna. on the following date. March 11, 1949.

The name was changed to Ace Of Spades Burglar Alarm Co., which was registered with the State of Penna., on Feb. 14, 1958.

[fols. 6651-6652] Ace of Spades Burglar Alarm Co.

Certified—Standard—Central Office—Auto Alarms—Fire Alarms for Stores, Factories and Homes
5658 Melvin Street—Pittsburgh 17, Pa.
Phone (day or night): JAckson 1-2737

Deposition

P. 8, P. 19

It incorrectly states I was drafted into the Army. I stated I had received my notice for my Physical Examination and upon receiving this notice I notified my Employer, that I will quit my job, in order that I may visit with my parents in Houston Texas and gave him about 3 weeks to get a replacement here in Pittsburgh.

After the examination I was put into the 4F rating, because of a Heart Murmur, I did not return to my old job, I remained in Houston and worked at defense plants, during the war period.

[fol. 6653] Ace of Spades Burglar Alarm Co.

Certified—Standard—Central Office—Auto Alarms—Fire Alarms for Stores, Factories and Homes
5658 Melvin Street—Pittsburgh 17, Pa.
Phone (day or night): JAckson 1-2737

Deposition

P. 33-34-35

Mr. Conklin, states that I lost my priviledged conversation between client and his attorney on the grounds there was a third person such as Mr. Levy, being present although he was in an adjoining room. The fact I spoke to you over the telephone and there being no extension phone or that there never was a three-way conversation, nor could the third person hear what was said, after his personal based legal interpretation based on the facts mentioned above.

[fol. 6654] ACE OF SPADES BURGLAR ALARM CO.

Certified—Standard—Central Office—Auto Alarms—Fire Alarms for Stores, Factories and Homes
5658 Melvin Street—Pittsburgh 17, Pa.
Phone (day or night): JAckson 1-2737

Deposition

P. 41

The reason for less employees was not due to having available T.A.S. Central Office supervised, as phrased by the Court Reporter.

[fol. 6655] ACE OF SPADES BURGLAR ALARM CO.

Certified—Standard—Central Office—Auto Alarms—Fire Alarms for Stores, Factories and Homes
5658 Melvin Street—Pittsburgh 17, Pa.
Phone (day or night): JAckson 1-2737

Deposition

P. 69

I installed two A & P Stores in Canton, Ohio in order to get all the A & P stores in the Pittsburgh area. I thought he meant if I am installing any systems out of State, at the present time or servicing any systems out of State at the present time.

[fol. 6656] ACE OF SPADES BURGLAR ALARM CO.

Certified—Standard—Central Office—Auto Alarms—Fire Alarms for Stores, Factories and Homes
5658 Melvin Street—Pittsburgh 17, Pa.
Phone (day or night): JAckson 1-2737

Deposition

P. 110

Mis-interpreted my answer to question concerning Installation Charges, Monthly Service Charge and how it is Billed on Monthly Statements.

[fols. 6657-6658] ACE OF SPADES BURGLAR ALARM Co.

Certified—Standard—Central Office—Auto Alarms—Fire Alarms for Stores, Factories and Homes
5658 Melvin Street—Pittsburgh 17, Pa.
Phone (day or night): JAckson 1-2737

Deposition

P. 110

My answer to question concerning Pittsburgh Alarm, was mis-interpreted. I said they had installed alarms as a side-line, but the deposition has it, that I had installed alarms as a side-line for quite awhile.

[fols. 6659-6660] ACE BURGLAR ALARM COMPANY

1545 Denniston St. Jackson-1-2737
Pittsburgh, Pa. Day or Night

Old contract as submitted by Gerson Zimmerman 6/25/63

Agreement made this 12th day of August, 1954, by and between Ace Burglar Alarm Company, hereinafter referred to as the First Party, and Frances Sherry Foundations of 3125 Jenkin Arcade Bldg. hereinafter referred to as the Second Party.

Witnesseth: That the First Party has agreed to lease, install and maintain on the premises of the Second Party a "Burglar Alarm System," that the Second Party agrees to pay the First Party the installation charge of $75.00 and a service charge for maintaining said system at the rate of $8.64 payable monthly in advance, due on the first of each month for a period of 24 months from date of installation.

It is the express intent and the agreement of the parties hereto that no right, title, interest or property in any and all equipment installed by First Party shall pass or vest in the Second Party, but that the aforesaid equipment shall

remain the property of the First Party and it shall not be deemed to become a part of the realty.

First Party shall not be liable for any damage caused to any part of premises by installation or removal of the said burglar alarm equipment, nor shall the first party be liable for any loss or damage to the Second Party resulting from the failure of the performance of any service or of the failure of the system to operate or from any cause whatsoever, it being expressly understood that the First Party is not an insurer of the premises or the property of the Second Party, and in the event of any loss from any cause whatsoever to the premises or property of the Second Party, the liability of the First Party is limited to an amount equal to one month installment of the service charge, which amount is hereby agreed upon as liquidated damages and payment of which shall be in full and complete release and discharge of the First Party for any liability or any claim whatsoever.

It is further agreed that any damage which may occur to Ace Burglar Alarm equipment or any part thereof whilst in the custody or possession of Second Party, either by fire, accident, neglect or abuse or any other cause shall be borne by the Second Party and may be recovered by action at law.

And in the event that Second Party defaults at any time in any payment for monthly service charge, or fails to comply with any condition of this agreement, or a proceeding in bankruptcy or insolvency be instituted against Second Party or his property or First Party deems himself insecure this Agreement shall be in default and the entire amount of service charges for the unexpired term of this agreement and every other indebtedness of Second Party to First Party shall be and become immediately due and payable: and the Second Party hereby authorizes any attorney of any Court of record within the United States or elsewhere to appear for Second Party and with or without declaration filed confess judgment against Second Party and in favor of First Party, his heirs and assigns for the whole amount due according to the terms of this agreement, with costs of suit or suits and ten percent attorney's commission for collection and release of all errors, and without stay of

execution, and inquisition and extension upon any levy is hereby waived, and condemnation agreed to and exemption of all property from levy and sale on any execution herein, is also hereby expressly waived, and no benefit of exemption be claimed under and by virtue of any exemption law now in force or which may hereafter be passed.

Approved:

The Ace Burglar Alarm Company
By Gerson Zimmerman

The Ace Burglar Alarm Company
By Gerson Zimmerman.

Subscriber Frances Sherry Foundations.
By Frances Sherry.

[fol. 6660a] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT W6a

3422-17

U.S.A.

vs.

GRINNELL CORP. et al, THOMAS J. SMITH, (ALARM ENGINEERING CO.), KANSAS CITY, MO.

MINUTES OF DEPOSITION

[fol. 6660b] For the Defendants American District Telegraph Company, Holmes Electric Protective Company and Automatic Fire Alarm Company of Delaware: Messrs. Bleakley, Platt, Schmidt, Hart & Fritz, 120 Broadway New York, New York, By Mr. Frank A. Fritz, Jr.

For the Defendant Grinnell Corporation: No appearance.

For the Witness and Alarm Engineering Co., Inc.: Messrs. Shaffer, Wilson & Cottingham, First National Bank Building, Independence, Missouri, By Mr. Keith Wilson, Jr.

THOMAS J. SMITH

• • • • • • •

Q. Will you kindly state your full name and home address?

A. Thomas J. Smith, 9116 East Fifty-eighth Terrace, Raytown, Missouri.

Q. Mr. Smith, you are connected with the Alarm Engineering Company, Inc., are you not?

A. Yes.

Q. And what is your connection with that company?

A. At the present time I am Vice President and General Manager.

Q. How long have you been affiliated with Alarm Engineering?

[fol. 6660c] A. Five months, or six months—since the first of the year.

Q. Is that a corporation organized under the laws of this State?

A. Yes.

Q. When was it incorporated, approximately?

A. December the 21st, I believe, of '61.

Q. And you have been Vice President of it since its inception?

A. Yes.

Q. What business were you engaged in prior to December of '61?

A. Fire alarm business.

Q. You were in the employ of the Notifier Company?

A. No, sir.

Q. What was the nature of the fire alarm business you engaged in?

A. I was a dealer for Notifier.

Q. And where did you carry on your business?

A. Out of my home.

Q. I am sorry. I didn't get the town that you live in, sir.

A. Raytown, Raytown, Missouri.

Q. Is that a suburb of Kansas City?

A. Yes.

Q. For how long had you served as a dealer for Notifier?

A. About twelve years.

Q. Will you tell me in a general way what you did as a dealer for Notifier?

A. We sold fire alarm equipment to the subscriber, locals [fol. 6660d] and remote stations.

Q. Did you also install the equipment?

A. Yes, sir.

Q. And service it?

A. Yes, sir.

Q. Would you ordinarily have a service contract with the purchase of fire equipment?

A. About 50 per cent of the time.

Q. And where did you sell Notifier equipment?

A. From Jefferson City to the first three tiers of counties in Kansas, from Arkansas to Iowa.

Q. That was strictly fire alarm equipment you sold?

A. Right.

Q. Was that automatic fire alarm equipment?

A. Automatic fire detection and sprinkler supervisory—or water flow, not supervisory, but water flow alarms, no supervisory.

Q. You mentioned before that you sold remote station systems.

A. Right.

Q. In what areas did you sell such systems?

A. The areas that I stated before.

Q. When you use the term "remote station," do you mean the type of system that is connected by a leased line directly to a fire department?

A. Right.

Q. Did you also sell the auxiliary systems?

[fol. 6660e] A. Never sold one in my life, auxiliary system.

Mr. Wilson: I didn't hear.

A. That is connected to a street box on a municipal fire alarm system.

By Mr. Fritz:

Q. Could you tell me some of the large subscribers or customers of yours when you acted as dealer for Notifier?

A. Yes, I could. You mean on remote station? Are you still talking about remote?

Q. Would you take remote stations first, please?

A. We are getting out of the realm of Alarm Engineering here now. I mean, I was subpoenaed by Alarm Engineering.

Mr. Wilson: That is all right. You can answer as best as you can recall.

By Mr. Fritz:

Q. I understand you haven't had occasion to refresh your memory on this, but what information comes to your mind I would appreciate.

Mr. Wilson: I think Mr. Smith is referring to the only data he has brought with him in connection with the subpoena issued is relating to Alarm Engineering.

A. Colgate-Palmolive Company, and Montgomery Ward, and Truman Library.

By Mr. Fritz:

Q. Would you mind letting us know where these various organizations are located?

A. Kansas City and Independence.

[fol. 6660f] Q. All right.

A. GSA Building, General Service Administration, Kansas City; Western Electric. You asked for some big ones?

Q. Do any other large customers of Notifier come to your mind, Mr. Smith?

A. General Council Assembly of God, in Springfield. What do you mean, large customers?

Q. Well, prominent organizations.

A. National organizations?

Q. Not necessarily national; those that you might regard as prestige customers and important organizations.

A. Harry Cooper Supply Company, Springfield. That is about all right now.

Q. Those were all remote station systems?

A. Right.

Q. Did you—

A. All except Montgomery Ward, which is a Class A proprietary, and Western Electric is the same.

Q. So you did sell some proprietary systems when you acted as dealer for Notifier?

A. Yes.

Q. Did you install consoles or panel boards in fire department headquarters for the receipt of signals from remote station systems installed on customers' premises?

A. Yes, sir.

[fol. 6660G] Q. For what fire departments did you install those?

A. I don't have it now, but I had one in Kansas City, Missouri; Kansas City, Kansas; North Kansas City; Topeka, Kansas; St. Joe, Warrensburg, Sedalia, Trenton, Chillicothe, Springfield, Carthage, Joplin, Butler. That is about all right now.

Q. You mentioned two proprietary systems before. Did any other sales for proprietary equipment come to your mind?

A. No, just those two.

Q. Were those the only two that you did sell?

A. Yes.

Q. Would you mind, now, telling me something about the purchasers of the local alarms?

A. The local?

Q. Yes.

A. Well, most of them were nursing homes and hospitals, and scattered throughout the state.

Q. Any industrial enterprises?

A. Not of local. And commercial, no commercial establishment was by a local system.

Q. A local fire alarm?

A. No, I have no commercials that have local.

Q. You didn't deal in burglar alarm equipment when you worked for Notifier, or acted as dealer for Notifier, did you?

A. I put in a couple for accommodation, my grocery store [fol. 6660h] and my druggist.

Q. What type burglar alarm were those?

A. Local alarm.

Q. Where did you secure the burglar alarm equipment?

A. Secure the equipment?

Q. Where did you secure the equipment that you installed?

A. A. W. Fruh, Company.

Q. Which is in Chicago?

A. Which is, yes.

Q. Do you still act as a dealer for the Notifier Company?

A. Yes, sir.

Q. These various customers that we have just mentioned, were they your customers prior to your becoming affiliated with Alarm Engineering, or are they——

A. Yes, they were, and they still are.

Q. Do you have service contracts with them?

A. Right.

Q. Those contracts are in the name of the Alarm Engineering Company?

A. No, sir.

Q. They are in your name?

A. Yes.

Q. You were in business on an individual basis when you acted as dealer for Notifier?

A. Right.

Q. Did you carry on business under any trade name, or——

A. Alarm Engineering Company, I mean Notifier Engi-
[fol. 6660i] neering Company.
Q. And that organization is still in existence?
A. Yes, as far as old customers are concerned. I do no new business.
Q. All new business, I gather, is done in the name of Alarm Engineering Company?
A. Right.
Q. But you continue to service the customers you had previously?
A. Right.
Q. Did you have contracts with those customers?
A. Yes.
Q. Did you sell the equipment outright to them?
A. Yes.
Q. And would you charge an annual or monthly service charge?
A. Yes, sir.
Q. What would you do, inspect the equipment at regular intervals?
A. Every thirty days.
Q. Were you the only person engaged in that work?
A. Inspection?
Q. Yes.
A. No.
Q. Did you have employees?
A. Yes.
Q. How many?
A. Oh, it varied, one or two.
Q. And that was so throughout the ten or twelve-year
[fol. 6660j] period you worked as a dealer for Notifier?
A. Yes. I am supposed to say something instead of shaking my head?

Mr. Wilson: She can't write it down.

By Mr. Fritz:

Q. Who were your competitors when you acted as a dealer for Notifier, Mr. Smith?
A. I only had two competitors in the field when I was with Notifier, actually active competitors, I mean. There is other companies that enter into it, but Spurling Company——

Q. That is (spelling) S-p-u-r-l-i-n-g?

A. (Spelling) -l-i-n-g. And ADT. Edwards got a few jobs through local electricians, Auto Call got a few, Minneapolis-Honeywell, Gamewell Company, but they weren't active in the field.

Q. Who weren't?

A. These last ones I named. ADT and Spurling were my competitors.

Q. The most active competitors?

A. Right.

Q. The others were competitors, but to a lesser extent?

A. They got a job once in a while, but they weren't out beating the bushes like we were.

Q. Did you do the sales work yourself?

A. Yes, sir.

Q. When you mentioned these various companies as being competitors of yours, were you referring then to [fol. 6660k] Kansas City or all of the counties served by you?

A. All countries served by me.

Q. Including Kansas City?

A. We are talking about remote stations still? Are you getting into central stations yet?

Q. Well, I am asking for the names of any companies that you regarded as competing with you.

A. On remote sales only, is the ones I have given you, or locals.

Q. These companies——

Mr. Wilson: The date of your inquiry is on this twelve-year period he was a dealer for Notifier?

A. That is prior to Alarm Engineering. I want that to be clear.

By Mr. Fritz:

Q. Yes. While you acted as dealer for Notifier did you encounter Damon Alarm Company in competition?

A. I don't recall ever having bid a job against Damon as long as I was a dealer for Notifier.

Q. You mentioned——

A. I knew of him, but he wasn't too active in the fire alarm or sprinkler field when I was. He was mostly a bur-

glar alarm company, and he didn't get out of Kansas City, either.

Q. You mentioned ADT as a competitor of yours. From this do I gather you sought to sell Notifier equipment to the [fol. 6660 l] same sort of organizations that ADT sought to sell its central station service to?

A. Yes. Well, they didn't have central stations in St. Joe and St. Louis and Kansas City, and I didn't operate in St. Louis so I only had two central stations to contend with. The rest of it was on a competitive basis of remote stations.

Q. I see, but in St. Joe and Kansas City ADT central station service provided competition for your system and service?

A. Right, too much.

Q. In these various cities that you have mentioned, were there local alarm companies doing business?

A. The two cities, or all of my area?

Q. All of the area which you served.

A. No, there isn't any other companies operating in those cities as a local alarm company and in the fire alarm field.

Q. I see. Do you know whether Notifier still confines itself to the fire alarm business and does no burglary business?

A. No, they don't do any burglary business.

Q. Could you give me an idea of the gross revenue, or gross sales, in the last few years of your dealership for Notifier?

A. I wouldn't have any idea right off-hand.

Q. Could you give me an approximation as to what your gross sales might have been in the year 1961?

[fol. 6660m] Mr. Wilson: Just as best as you can estimate.

A. I can't remember those income tax figures. For '57 it is vivid. I can give you that.

By Mr. Fritz:

Q. Would you do that, please?

A. $97,000.00.

Q. Can you tell me in a general way what portion of that you estimate came from the Kansas City metropolitan area?

A. A very, very small part of it.

Q. Less than 25 per cent?

A. Less than ten per cent.

Q. Was that so all through the years you served as dealer for Notifier?

A. Yes. Well, not that percentage, but for the year '57, less than ten per cent.

Q. How about subsequent years?

A. I would say about 40 per cent of my businesss was in town, local.

Q. In Kansas City, when you say "local"?

A. I mean locally, here in Kansas City.

Q. Right. Were your gross sales in the years subsequent to '57 very different from your sales in '57?

A. Oh, yes, they were way down, that is 30, 40 thousand, less than half. Yes, that is about right.

Q. How many organizations do you presently serve which had purchased Notifier equipment from you prior to December, '61?

[6660n] A. I don't have all that with me. I mean, it wasn't subpoenaed.

Q. I appreciate that. Would you give me your best estimate?

A. Approximately 150.

Q. Could you give me some idea of the service charge that you make to such customers?

A. Yes. It varies from $10.00 a month to $50.00 a month.

Q. That depends on the extent of the system?

A. Whether it is commercial or whether it is nursing home. Most of my nursing homes I set up back in '57 for about $10.00 a month.

Q. How many nursing homes do you presently serve?

A. In what capacity? With service contracts?

Q. Yes, and——

A. Central station, or——

Q. I am not speaking of Alarm Engineering Company's business.

A. About twelve.

Mr. Fritz: Will you repeat that question?

(Whereupon, the last question was read by the reporter.)

A. About twelve.

Q. Now, Mr. Smith, the coming questions will relate to Alarm Engineering Company.

A. Only?

Q. Yes.

A. O.K.

Q. Would you tell me how it came to pass that you become interested in Alarm Engineering Company?

[fol. 6660o] A. Yes. Mr. Wilber and I got together, and it has been my dream ever since the last fifteen years being in the central station business, which I think is the ultimate of any alarm man, to my mind, and up to the time that I met Mr. Wilber I had no one I could rely on or go into the business together, because I knew I couldn't do it myself.

Q. Mr. Wilber had an organization named Wilco, did he not?

A. Right.

Q. Was that a local alarm company here in Kansas City?

A. He had a central station in the basement of his home. That was not approved, but he did service accounts with central station service.

Q. How long had he operated that central station?

A. Less than a year, I think.

Q. Do you happen to know how many accounts he had?

A. He had two going into the substation.

Q. In addition to the central station accounts, did he have other subscribers?

A. About six locals.

Q. Did he sell remote station systems, also?

A. No.

Q. Was Mr. Wilber also engaged in the patrol business?

A. No.

Q. Had he ever been affiliated with a Jackson County patrol?

A. Sheriff patrol.

[fol. 6660p] Q. Beg your pardon?

A. Jackson County Sheriff Patrol.

Q. In the sheriff's office?

A. He was in the sheriff's office, deputy sheriff.

Q. Incidentally, where is Jackson County? Are we in it?

A. We are in it.

Q. Were you and Mr. Wilber the incorporators af Alarm Engineering?

A. Right.

Q. Were there any other persons interested?

A. Minutely. Mr. Martin Davis was the Secretary-Treasurer of Wilco. When we merged we changed our name, actually, to Alarm Engineering.

Mr. Wilson: That is Mr. Wilber's brother-in-law.

A. And that is it.

By Mr. Fritz:

Q. What sort of services does Alarm Engineering provide?

A. We provide central station direct burglar alarm service, McCulloh coded systems.

Q. These are fire alarm systems, are they?

A. They can be either one, burglar or fire, direct line burglar alarms, direct line fire alarms, McCulloh coded systems.

Q. These transmit signals into the central office?

A. That is right, central station. This is all central station I am talking about; watch tour, holdup, safe and [6660q] vault.

Q. Water flow and sprinkler supervisory?

A. Water flow and sprinkler supervisory.

Q. Do you provide what might be called an industrial process service?

A. Temperature control?

Q. Yes. You mentioned direct line burglar alarms, and you also mentioned McCulloh systems.

A. There is a difference.

Q. Now, I gather that with the direct line type of system you have one subscriber on one line coming into your central office?

A. Right.

Q. And under the McCulloh type system you may have several subscribers on one leased line?

A. Fifteen burglar alarms on one line, or 20 fire alarms, and there is transmitters that transmit, also.

Q. To your coded station?

A. Right.

Q. Does Alarm Engineering also provide remote station systems?

A. We haven't sold any. We will, I mean, if they so desire.

Q. Does the company sell local alarms?

A. Not if we can get out of it. We do, but we don't like them.

Q. But you do sell them?

A. Yes.

Q. Does the company sell proprietary systems?

A. Yes, sir.

[fol. 6660r] Q. What is the area in which the company operates?

A. The same as I stated before.

Q. Does the company provide any watchman or patrol service?

A. We did at one time, yes.

Q. Could I gather that Mr. Wilber was the person active in the patrol end of the business?

A. No.

Q. What was the extent of the watchman and patrol business?

A. There was no patrol business.

Q. You did provide——

A. We had no patrol business whatsoever. We did have watchmen.

Q. You don't any longer?

A. No.

Q. Would you tell me about the watchman business that you did carry on?

A. We provided it to one building because the man requested us to, is the only reason. That was to the Ward Parkway Shops, Inc.

Q. I gather that he no longer requires your watchman service?

A. They have their own janitor that punches a watch tour now.

Q. Do you provide your night watch service to that business?

A. Yes, sir.

Q. Where does Alarm Engineering have its offices?

A. Thirty-first and Troost, 3102 Troost.

Q. That is Kansas City?

A. Kansas City 9, Missouri.

Q. What sort of an office do you have?

[fol. 6660s] A. We have an approved central station. It is in a fire-resistive building, with a fire-resistive room inside the building.

Q. And you have consoles or panels in the building?

A. Right.

Q. How many employees are there?

A. Four, five and six, they vary.

Q. Can you tell me——

A. We have six at the present time.

Q. That is in addition to yourself and Mr. Davis?

A. Mr. Davis isn't active, and he isn't an employee. He was a bookkeeper. I mean, he audited our books, only.

Q. He was not active in the management of the business?

A. No.

Q. But these six employees are in addition to yourself?

A. No, that is counting myself.

Q. Can you tell me the categories into which these employees fall? Will you describe their functions in a general way?

A. Yes. They are installers, maintenance men, they operate the alarm room. I operate the alarm room, I shoot trouble, I run the guard.

Q. Do you have one or two operators in attendance in your central station at all times?

A. Two people 24 hours a day.

Q. Are they both switchboard operators, or console operators?

[fol. 6660t] A. One operator and one runner.

Q. By "runner," you mean a guard?

A. Guard. In fire alarm parlance they are called "runners" and in burglar alarm they are called "guard," but they act in the same capacity.

Q. Can you tell me what percentage, roughly, of your subscribers receive burglar alarm service from Alarm Engineering?

A. If you have got your glasses on you can take the percentages from this (indicating). I can't read this morning. I got tangled up with a burglar Saturday night and broke my glasses, and I can't hardly move my neck.

Q. How did the burglar make out?

A. He is in pretty bad shape.

Mr. Wilson: What was the question?

(Whereupon, the following question was read by the reporter:)

Q. Can you tell me what percentage, roughly, of your subscribers receive burglar alarm service from Alarm Engineering?"

Mr. Wilson: Roughly 20 per cent.

A. Twenty per cent.

By Mr. Fritz:

Q. How many subscribers are there in total?

A. In total?

Q. Yes.

A. In the alarm room, or direct lines, or what? Burglar alarm?

Q. Excuse me, Mr. Smith. When you say "in the alarm [fol. 6660u] room," I thought both direct lines and McCulloh type subscribers——

A. We—you want to know how many subscribers there is in central station?

Mr. Wilson: All right. Sixty-five.

By Mr. Fritz:

Q. Yes, how many subscribers, central station subscribers Alarm Engineering has.

The Witness: Don't count the local.

Mr. Wilson: You have 36 fire alarm subscribers, 16 burglar alarm subscribers, four sprinkler supervisory subscribers, seven local burglar alarm subscribers.

The Witness: Those don't go into this.

Mr. Wilson: One manual and one watch tour.

Mr. Story: Have you prepared a chart there? Off the record.

(Whereupon, discussion was had off the record.)

Mr. Fritz: We will go back on the record.

By Mr. Fritz:

Q. Mr. Smith, you have prepared this statement as to the number of subscribers and the revenue derived therefrom, have you not?

A. Yes.

(A document handed to the reporter was marked for identification as follows: "Defendants' Exhibit No. A for identification, C.R.P.")

Q. I notice that Defendants' Exhibit A bears the caption "Central Station Direct Line Alarms," Mr. Smith.

[fol. 6660v] A. Strike that out because it is misleading.

Q. This listing does include——

A. McCulloh.

Q. (Continuing)—McCulloh type subscribers, and I notice it also includes local alarms.

A. Just make that "Central Station."

Q. And local alarms?

A. Make it "Central Station" but strike out the word "direct" and include locals, and then we are all right.

Q. I notice one column of figures here, Mr. Smith. Could you tell me what these figures represent?

A. Monthly billing.

Mr. Wilson: Gross monthly billing?

The Witness: Right.

By Mr. Fritz:

Q. As of what date does this statement speak, Mr. Smith?

A. May 31st.

Q. Does Alarm Engineering have any subscribers or customers other than those listed on this sheet which we have marked Defendants' Exhibit A?

A. No, actually that is a current list. Our books are only up to May 31st.

Q. Do you have any proprietary subscribers?

A. No.

Q. And no remote stations?

A. No.

[fol. 6660w] Q. Do you have with you the form of contract used by Alarm Engineering?

A. There is two for local, and we have one for fire and

supervisory. That is when I sell a local or sell anything outright, I just write it up on that because there is no contract involved.

Q. Mr. Smith, I note one of the forms you provided me is entitled "Alarm Engineering Co., Inc." and begins with the words "Memorandum of Agreement". Is this the central station service agreement that you use for all types of central station service?

A. No.

Q. In what connection is this contract used?

A. That is sprinkler, water flow. It lists all of the devices that are used right there. It couldn't be used for burglar alarm.

Mr. Fritz: I see. I ask that this be marked Defendants' Exhibit B for identification.

(A document handed to the reporter was marked for identification as follows: "Defendants' Exhibit No. B for identification, C.R.P.")

Q. I note that the contract marked Defendants' Exhibit B calls for retention of title to the equipment by Alarm Engineering and also provides a five-year term. Is that the custom followed by your company?

[fol. 6660x] A. That is customary. I believe that if we can't get it, we will write a three-year.

Q. Generally do you write a five-year contract?

A. If I can.

Q. Do you find that happens more often than not?

A. Yes.

Q. You have handed me a contract entitled "Burglar Alarm System Agreement".

A. We use that for local alarms.

Q. This—I am sorry, I haven't had this marked.

(A document handed to the reporter was marked for identification as follows: "Defendants' Exhibit No. C for identification, C.R.P.")

Q. I note that your Burglar Alarm System Agreement, which I understand you use for local burglar alarms, has no prescribed term.

A. That is to be filled in, whatever the customer wants.

Q. And what, generally, do you fill in?

A. Whatever he wants. I mean, it varies.

Q. If the subscriber expresses no preference, what term do you insert?

A. Five years.

Q. Is this contract entitled "Wilco Alarms, Inc. Central Station Burglar Alarm Agreement" used by your company for its central station burglar alarm subscribers?

[fol. 6660y] A. We changed the name up there to Alarm Engineering, effective as of December 31, 1961.

(A document handed to the reporter was marked for identification as follows: "Defendants' Exhibit No. D for identification, C.R.P.")

Q. In order to save time and avoid having to read this agreement, Mr. Smith, could you tell me whether your company retains title to the burglar alarm equipment installed by it?

A. When we can we will sell it outright or lease it, either one.

Q. I note the contract has a one-year term. Is that the customary term?

A. No. We changed that to five, or three, or whatever the customer wants up to five years.

Q. I ask you to identify this document.

A. That is just a proposal we write up local contracts on, or where we sell a piece of equipment to a customer outright. It has an acceptance on the bottom. We write the specifications in there, what we are going to do, and it is a legal document as a contract.

Mr. Fritz: I ask that this document entitled "Proposal" be marked as Defendants' Exhibit E.

(A document handed to the reporter was marked for identification as follows: "Defendants' Exhibit No. E for identification, C.R.P.")

[fol. 6660z] Q. Do you know whether the provision for retention of title by Alarm Engineering is one commonly followed in this industry?

A. Yes, it is.

Q. And is a three or five-year term a customary term for a central station agreement?

A. Yes.

Q. You mentioned you will sell alarm systems outright if a subscriber requests it.

A. Yes.

Q. Is this so in the case of subscribers to central station service?

A. Yes. In fact, if you deal with the Government you have got to sell them outright. You can't lease them.

Q. I gather you do have a Government installation?

A. Yes, I do.

Q. How many?

A. Three.

Q. Could you tell me what they are?

A. Truman Library, United States Court House and General Services Administration.

Q. What sort of service do you provide?

A. General Services Administration, I provide a direct line fire alarm connection to a central station from their proprietary system.

Q. What type of proprietary system do they have?

[fol. 6660aa] A. They have Acme.

Q. What service do you provide to the Truman Library and the other?

A. That is an automatic fire detection and manual.

Q. And how about the——

A. That is a remote station, though. That goes to the City of Independence. I said it went to the central station, but it doesn't. It isn't Alarm Engineering either, it is mine personally.

Q. This dates back to your time with Notifier?

A. Yes.

Q. Will you tell me what sort of service you provide to the U. S. Court House?

A. Yes. That is manual alarm service on a coded system.

Q. And it is connected with your central station?

A. Right.

Q. Do subscribers to your services receive insurance premium discounts?

A. Yes.

Q. Is your central station approved by fire inspection organizations or the Underwriters' Laboratories?

A. Yes, sir.

Q. What is the name of the fire rating organization having jurisdiction?

A. Missouri Inspection Bureau, National Board of Fire [6660bb] Underwriters.

Q. The burglar alarm service that you render is certificated by the Underwriters' Laboratories?

A. It is not.

Q. It is not?

A. No.

Q. Do you know whether subscribers to your burglar alarm service receive burglar alarm premium discounts?

A. As far as I know they don't, because there is no certificates involved.

Q. Have you sought certification from the Underwriters' Laboratories?

A. Yes.

Q. Is that application presently pending?

A. Yes.

Q. You are looking forward or expecting it to be granted?

A. Yes.

Q. But you already do have approval from the fire organizations?

A. Right.

Q. So your subscribers to fire alarm service are able to secure insurance premium discounts?

A. Right.

Q. Do the users of your remote station system receive insurance premium discounts?

A. Yes, sir.

Q. Do the users of your local alarm system, fire alarm [fol. 6660cc] system, receive insurance premium discounts?

A. There is only two per cent involved on fire alarms and nobody is interested in it, so I don't think anyone receives any local credit.

Q. No credit for a local fire alarm system?

A. There is only two per cent, and no one is interested in it because it just doesn't mean anything.

Q. Do the users of the proprietary alarm system, and I am now speaking of fire alarm system, receive insurance premium discounts?

A. I assume they do, because Factory Mutual specified they had to have it and they carry the insurance, so they possibly give them a credit for it.

Q. Are you speaking of some specific subscriber now?

A. Yes, Montgomery Ward, and, of course, this has nothing to do with Alarm Engineering. I don't have any proprietary systems under Alarm Engineering. Western Electric was—in other words, their specifications called for an approved system by Factory Mutual.

Q. Do you sell both burglar and fire alarm systems outright to subscribers if they care for it?

A. Yes.

Q. Do these subscribers qualify for insurance premium discounts?

A. Not normally. Most of your people that will buy a system outright, it is for their own protection in a local [fol. 6660dd] alarm, and they want it as cheap as they can get it.

Q. You are referring now to local alarm customers?

A. Right.

Q. But I understand you do have some central station subscribers who have purchased the system from you?

A. I have more central station subscribers that own their equipment than I lease to.

Q. Do those central station subscribers who own their equipment qualify for insurance premium discounts?

A. Definitely.

Q. Is there any difference in the discount granted to them and those who lease systems from you?

A. No, sir.

Q. Do you know whether that will be the fact once you receive certification from the Underwriters' Laboratories?

A. Yes. It doesn't matter who owns the system as long as it is serviced.

* * * * * * *

[fol. 6660ee] By Mr. Fritz:

Q. I am not sure I understand. You are referring to Defendants' Exhibit A?

Mr. Wilson: He is. Go ahead.

A. One subscriber I forgot.

By Mr. Fritz:

Q. And that subscriber receives what sort of service?
A. Temperature.
Q. That is industrial process service?
A. Yes.
Q. And it is a central station subscriber?
A. Yes.
Q. Do you know what the monthly service charge is?
A. $25.00.
Q. What is that subscriber?
A. United States Government, Communicable Disease Center. I call it the "Rabbit Hutch". I guess you would call it industrial process. When the rabbits get hot, we let them know about it.

Q. Mr. Smith, is it customary for your company to make an initial charge when you make an installation in the premises of a new customer?
A. Yes, sir.
Q. What does that charge amount to, or how is it computed?
A. That varies on who the customer is, and who I am bidding against.
Q. I am sorry. I didn't get the latter part of your answer.

• • • • • • •

[fol. 6660ff] A. Who I am bidding against.
Q. What do you call that initial charge?
A. It is an installation charge.
Q. Well, could you pick out a typical customer, an ordinary customer, and tell me how you would go about computing the installation charge?
A. Normally the charge for the installation is the amount of labor and equipment involved. That is about all we give them.
Q. Then in addition you have a monthly service charge?
A. Right.
Q. How do you go about computing the monthly service charge?
A. The length of the telephone line and the devices that are connected thereto.

Q. Do you have some sort of a unit count, like door contact is one unit, or as to the fire indicator——

A. No, not at the present time. I am not big enough for that. I just estimate it.

Q. In computing your installation charge do you include the entire other costs of the equipment installed?

A. Yes.

Q. Plus the labor?

A. Yes.

Q. When a contract expires or is canceled, do you generally remove the equipment?

A. Remove the control equipment and contacts. That is [fol. 6660gg] about all we can salvage.

Q. In the short space of time that your company has been in business have you had occasion to remove equipment, or are you now speaking of your prior experience as a dealer for Notifier?

A. I have never removed any equipment in my fifteen years in business.

Q. When you say you do remove the control equipment and the devices, you are telling me what you would do if one of your contracts expired and was not renewed?

A. Yes. I would remove the control equipment and contacts. I would leave the foil and the wire because I can't salvage that. It could be used at a later date.

Q. You are now speaking of burglar alarm systems?

A. Burglar alarm systems, yes.

Q. And in the case of a fire alarm system?

A. In a fire alarm system you hardly ever contemplate removing anything like that, but you would remove all the devices you have that are salvagable.

Q. Has your—I am now speak of Alarm Engineering Company—has its revenue been increasing?

A. Yes.

Q. Has the number of subscribers been increasing?

A. Yes.

Q. That has been a gradual upward growth in both?

[fol. 6660hh] A. Definitely.

Q. Are you in a position to estimate what your gross revenue might be at the end of this year?

A. That is hard to say. It could remain the same, or it could double. I don't have any idea.

Q. I gather that the figures up here on Defendants' Ex-

hibit A do not reflect the installation charges made by your company.

A. No.

Q. If we left a space here in the deposition, which you will eventually have an opportunity to read and sign, would you add in the amounts secured by your company in the form of installation charges?

Mr. Wilson: We are handicapped in that regard, in that Mr. Wilber had the records, and he died about four weeks ago, and we are trying to pick up the records and so forth from his wife and his brother-in-law, and so we will, as that information is available to us, we will be glad to supply it to you.

Mr. Fritz: Fine. Thank you.

Mr. Wilson: But at the moment it is not within the custody of Mr. Smith.

By Mr. Fritz:

Q. All right. Perhaps you could give me an approximation of the gross revenue of the company for the first half of the year?

A. Oh, $18,000.00 the first five months.

[fol. 6660ii] Q. And the company is operating at a profit?

A. No, definitely not. No central station operates at a profit for two to three years.

Q. Could you give me some idea of the extent of the deficit at which it is operating?

Mr. Wilson: Again, his answer will have to be an approximation due to the fact he doesn't have custody of the records, but as best as you can approximate.

A. We are definitely not making any money. I would say we are going in the hole, oh, $600.00 a month.

By Mr. Fritz:

Q. This is after salaries?

A. No, that is counting salaries.

Mr. Wilson: It is after salaries.

By Mr. Fritz:

Q. After salaries?

A. After salaries, yes. Forgive me, I am about half asleep.

Q. Including your own salary?

A. Yes.

Q. Is the other officer, Mr. Davis, a salaried officer?

A. No, sir.

Q. Was Mr. Wilber a salaried officer?

A. Yes.

Q. Who are the stockholders of the company?

A. George Wilber's wife, Sandra Wilber.

Q. Is she active in the business?

A. No.

Q. And are there any other stockholders?

[fol. 6660jj] A. Martin Davis, and myself.

Q. Are you the majority stockholder?

A. No, 50 per cent.

Q. Would you tell me what steps you took, Mr. Smith, in order to secure approval from the fire rating organization and also Underwriters' Laboratories?

A. Yes. I inquired as to the requirements of the fire rating organizations, to what extent I would have to go to to get an approved station. They wrote me a letter stating the requirements, and I fulfilled them.

Q. Could you tell me, in a general way, what those requirements were?

A. Yes. The building, the alarm office, must be in a Class 1, fire-resistant building, surrounded by concrete eight-inch masonry wall, with a Class A fire door, adequate ventilation, with steel louvers over your ventilators that would drop automatically, all doors to close automatically, emergency lighting, emergency batteries for alarm equipment, adequate fire extinguishers, and adequate operators; and, incidentally, I superseded the requirements and actually have an alarm room that is superior to anything in town, because my requirements were more strict than when ADT went there. They don't conform to the requirements I had to, in other words.

Q. It is true the requirements set up by the rating or-

[fol. 6660kk] ganizations and Underwriters' Laboratories are minimum requirements, is that not so?

A. Right. Everything is minimum.

Q. Could you tell me how much of an investment was necessary for you to set up your central station?

A. Yes. About $42,000.00.

Q. That is in order to set up an approved central station, right.

A. Right. That is a low figure, too. I wouldn't advise anybody else to try it.

Q. But the fact is, it is possible to set up an approved central station in this city for that?

A. Yes.

Q. What sort of equipment, generally, do you have in your central station?

A. Generally? You mean fire, burglary, and——

Q. Do you have a console or panel?

A. We have console panels.

Q. Do you have a transmitter or telegraph that notifies the Fire Department or Police Department?

A. We have a direct line on the telephone, what we call a "hot line" phone.

Q. To both the Police and Fire Departments?

A. Right.

Q. When you receive an alarm, do you notify the depart- [fol. 6660 ll] ment involved in addition to sending out a guard?

A. We do three things: We send a guard, we notify the Fire or Police Department over the telephone and in case it is the Fire Department, when an alarm comes into our board it is automatically recorded and retransmitted to the Fire Department automatically. We don't have to set up any code wheels or anything to get the code to the Fire Department. The minute we get it they are getting it.

Q. What do you call that device?

A. Automatic fire recording and reporting board, which there is only one in the world. It is mine. This is Notifier. It was built to my specifications.

Q. By Notifier?

A. By Notifier.

Q. Notifier has its headquarters in Lincoln, Nebraska?

A. In Lincoln, Nebraska.

Q. Notifier operates throughout the country, does it not?

A. The entire world.

Q. During your connection with Notifier, were you always located in this area?

A. No, sir.

Q. Did you ever work in the headquarters in Lincoln?

A. No, sir.

Q. Where else did you work, other than here?

A. I have installed jobs in Oklahoma, Kansas, Nebraska —no, wait a minute. I didn't put any jobs in in Nebraska. [fol. 6660mm] Strike that out. And Iowa and Missouri.

Q. What percentage of your subscribers receive service of the type that will qualify them for insurance premium discounts?

A. All of my customers, with the exception of local alarms, for the service that was intended, whether it be remote or central station.

Q. When you say "except for the local alarm", are you referring to the local fire alarm then?

A. Yes. They receive no credits, because they weren't put in to receive credits.

Q. Your local burglar alarm subscribers will be qualified for insurance premium discounts upon your receiving certification from Underwriters' Laboratories?

A. Yes. We are certified to do Grade A local now.

Q. You are?

A. Oh, yes.

Q. I see.

A. We can issue a certificate on a local alarm.

Q. Where do you obtain your equipment, Mr. Smith?

A. Notifier, Potter, St. Louis; A. W. Fruh in Chicago; Ademco Alarms in——

Q. New York?

A. New York; and Pyrotronics in Newark, New Jersey.

Q. Walter Kidde?

A. Walter Kidde, yes.

Q. Have you experienced any difficulty in acquiring any equipment needed in your business?

[fol. 6660nn] A. We receive very good service.

Q. There are plenty of sources of satisfactory equipment?

A. Well, I think any equipment on the market today can be improved on, and most manufacturers are prone to get approval and just sit there dormant and never try to improve that piece of equipment which has been approved.

Q. They meet the original requirement in order to get the approval?

A. And just leave it dead, with the exception of Notifier, which is continually in research and running new equipment. It is far superior to anything I have ever seen.

Q. You mentioned Minneapolis-Honeywell as becoming a competitor.

A. Minneapolis-Honeywell is becoming a big competitor.

Q. What sort of services or systems do they provide?

A. They—I don't know that they are getting in the burglar alarm field; they probably will at a later date, but on fire, they have bought out several small companies.

Mr. Fritz: Excuse me. Off the record.

(Whereupon, discussion was had off the record.)

A. They are bidding and making a serious bid in the fire alarm field, at contractors, and architects and engineers throughout the industry, for specifications.

Q. What types of systems does Minneapolis-Honeywell provide?

A. From what I can find out, they have everything except a coded system, and they are working on that: annuncia- [fol. 666000] tors, automatic, manuals, or everything that anyone else has, with the exception of codes.

Q. The full range?

A. The full range.

Q. Of alarm equipment on the fire side?

A. Yes.

Q. But it would be remote station, central station——

A. Remote station and locals, mostly.

Q. Proprietary?

A. I haven't seen a proprietary system approved by Minneapolis-Honeywell yet.

Q. Would you look upon them as a substantial competitor of your company?

A. Yes, definitely.

Q. Are there any other companies of the stature of Minneapolis-Honeywell you look upon as a competitor?

A. ADT. Spurling isn't much of a competitor in the fire alarm field. They don't have the sales organization. They have approved equipment for remotes. They don't go into approved proprietary.

Q. You mentioned earlier——

A. least I haven't seen one.

Q. You mentioned earlier electrical contractors and building contractors. Do you find they install alarm systems?

A. Oh, definitely. Practically all of the alarm specifications, fire alarm specifications, are written in the electrical [fol. 6660pp] contractors' bid.

Q. So that, in effect, you encounter competition from companies that are not actually alarm companies, they are electrical contractors or building contractors?

A. Right. Well, to the extent that they bid the electrical system and the alarm is in the electrical. They don't like the fire alarm business. They don't understand it, and a lot of times they hire the alarm company that sells the equipment to hook it up for them.

Q. But the manufacturer, rather than a service company, will come in and do that job for the building contractor?

A. Right.

Q. And that is the type of business that your company would like to have, I assume?

A. Yes.

Q. So, in effect, these electrical contractors are in competition with you?

A. Yes.

Q. And with ADT?

A. Right.

Q. And right here in Kansas City?

A. Yes.

* * * * * * *

[fol. 6660qq] A. Sure.

Q. Do you permit subscribers to spread the installation charge out over any period if they choose not to pay it all at the commencement of the contract?

A. This comes up occasionally. It isn't a general practice. If that is the only way you can get the job, then you do it.

Q. Over what period have you spread the installation charge?

A. One year.

Q. Do you have a standard price list?

A. On fire alarm equipment? You mean on the equipment?

Q. On either equipment or service.

A. No. I have it on equipment from all my suppliers, but as far as a price list——

Q. Excuse me. Do I understand now you are referring to price lists which you have received from manufacturers from whom you purchase equipment?

A. Yes. That is the only price list I have.

Q. The company itself has not formulated a price list?

A. No. In other words, we charge "X" many dollars for a door, and "X" dollars for a door and window and screen.

Q. Have your prices remained constant, or have they increased or decreased since you have been in business?

A. I don't know. They haven't increased any. They haven't decreased any.

Q. How did you go about deciding what your service [fol. 6660rr] charges ought to be?

A. Well, I anticipate the trouble calls, trouble closings, on burglar alarms, and anticipate no trouble on a fire alarm other than a broken telephone line. That is sprinkler supervisory. There is nothing to go wrong there unless it is malicious damage or tampering, and I try to evaluate how many calls I would have on that alarm in a month.

Q. Do you figure that a call will take, on the average, a certain amount of time on the part of your guard?

A. Yes.

Q. What would you guess to be the average time consumed to attend to it?

A. An hour. You have to charge an hour if it is fifteen minutes.

Q. For practical purposes, when a guard goes out on a call that is one hour of time?

A. Yes.

Q. Is it a common occurrence for more than one alarm to go off at a time?

A. Not in my operation. If I had a thousand, it might be.

Q. It does occasionally happen alarms come in in clusters?

A. In a lightening or rain storm, or electrical storm.

Q. In that event, it will take a little while to get around to the various subscribers?

A. Yes.

[fol. 6660ss] Q. Do you expect a rash of alarms tonight with the sonic boom prediction?

A. No. I might have some on my ultrasonic.

Q. Do you use Kidde ultrasonic?

A. Yes.

Q. Are you able to state what the capital investment in the Alarm Engineering business is?

A. You mean our net worth?

Q. How much money has been put into the business?

A. I would have to look at the financial statement for that. All these books are in the hands of Martin Davis, and being brought up to date preparatory——

Mr. Wilson: That might be an approximation of the cost of opening up the central office.

By Mr. Fritz:

We got your initial $42,000 figure for setting up a central office. I assume, in addition to that, you had to put money into equipment installed on subscribers' premises and you had other expenses, or did the $42,000.00 include that?

A. No, the $42,000.00 didn't include the installation I had. That went into the central station prior to the opening of the central station.

Q. When you first commenced business as Alarm Engineering Company, did you and Mr. Wilber each have a certain number of subscribers you contributed to the new enterprise?

A. Yes.

[fol. 6660tt] Q. How many did you contribute?

A. Thirty-six.

Q. And how many did he contribute?

A. Two central station and six locals, I think.

Q. So there has been an addition of some 25 new subscribers?

A. Yes.

Q. Since you commenced business?

A. Yes.

Q. Do you have a salesman?

A. Myself.

Q. Do you go out and solicit, or do you wait for calls to come in?

A. I haven't had to solicit in the last five or six months. I have been too busy answering the telephone, and going out and getting bids.

Q. Do you have more business coming in than you can actually handle at the present time?

A. We are handling it, but we are snowed under.

Q. Are you looking forward, in view of this, to a considerable growth in your business?

A. Definitely, or I wouldn't be in it.

Q. Are you in a position to predict what the number of your subscribers might be at the end of the year, based on the experience you have had with the phone calls?

Mr. Story: I object. That is pure speculation.

A. I told you a while ago I couldn't do that. I don't know.

By Mr. Fritz:

Q. Have you had to turn down any prospective subscriber on the ground you were too busy at the time to [fol. 6660uu] accommodate him?

A. No.

Q. Is it difficult to secure personnel to staff your central office?

A. No.

Q. There is plenty of qualified personnel available?

A. Right.

Q. I believe you mentioned those companies that you regarded as competitors of yours when you acted as a dealer for Notifier. Would you tell me the names of the organizations that you believe are in competition with your Alarm Engineering Company?

A. Mossie, Damon and ADT.

Q. Are you familiar with Alarm Systems, Inc?

A. I don't consider them competition. I am familiar with them, yes.

Q. How about some of these other competitors we have mentioned, such as Auto Call?

A. They are not connected with the central station at all. They are no competition to central station business.

Q. But it is a fact, is it not, companies engaging directly in local alarm, local burglar and fire alarm, and selling proprietary systems and direct systems, do cater to the same type of customer or subscriber as central stations do?

A. No.

Q. Do you serve any, we will say, drug stores with cen-
[fol. 6660vv] tral station service?

A. On fire, nothing on burglary.

Q. Nothing on burglary?

A. No.

Q. Many nursing homes here in the city have direct connected service, do they not?

A. All of them. All of them. It is a city requirement.

Q. Do you know whether any of the department stores in the city have local alarm systems, and I am speaking of burglar alarm?

A. Are you speaking of department stores like Macy's or Berkson's?

Q. Or Kresge's. That is a five and dime store, I guess.

A. I don't think any of those people go into local alarms at all. Their insurance company wouldn't let them.

* * * * * * *

[fol. 6660ww] Q. Do you know whether there is any auxiliary fire alarm service rendered in this area?

A. Yes.

Q. Who provides that?

A. The City has some of the buildings run into the proprietary, the municipal system, the auxiliary system.

Q. That is a master box located—

A. A master box into the municipal fire alarm system.

Q. What kind of organizations are tied into the municipal telegraph system that way?

[fol. 6660xx] A. The only one I can say for sure is the Municipal Garage.

Mr. Wilson: You are speaking relating to properties owned by the city being tied into its own department?

By Mr. Fritz:

Q. Do you know whether this auxiliary service is limited to municipally owned properties?

A. No, sir.

Mr. Wilson: I do. I am City Counselor of Kansas City, and it is limited.

The Witness: No, it isn't.

Mr. Wilson: Who else? I am learning something.

The Witness: The Saxon Theater. There is a master box sitting in there, connected to the city fire alarm system.

Mr. Wilson: You mean a box inside the theater?

The Witness: A box inside the theater.

Mr. Wilson: A charge made by the City?

The Witness: There is no charge. It is just tied into the city municipal alarm system. This is common practice in a lot of cities.

Mr. Wilson: The box is located inside the theater?

The Witness: Naturally, the box has to be in a protected premises, but it goes to a street box outside through a three-wire system, and tied to the municipal fire alarm system.

By Mr. Fritz:

Q. Do you know of any other instances like that, Mr. [fol. 6660yy] Smith?

A. There is quite a few in town, but I don't know, I couldn't name them.

Q. There are quite a few non-municipally owned organizations tied into the municipal fire telegraph system?

A. That is standard in Springfield, too, it used to be, because then they took the municipal system out and put in telephone system street boxes, so that did away with all of the auxiliary.

Q. Would you tell me a little about that?

A. Any time the Bell Telephone System puts a console in the fire department, and that is a street box with a telephone inside, no business can run to that. There is no way of tripping a telephone. You would have to have a coded voice, and this is not approved. So, if a municipality owns their own system, they do accept commercial businesses to tie into that system. Veterans Administration Hospital is tied to the municipal fire alarm system out here

through Gamewell boxes. It is all Gamewell equipment out there, and Gamewell, Acme and Safa, it is about four manufacturers of master boxes which you can trip electrically and send a code to the municipal fire department; whereas, a street box is a municipal box, but when we speak of a master coded box, that can be tripped from any device on the premises.

[fol. 6660zz] Q. So that when water flows into the sprinkler system—

A. Right.

Q. Or if there is no pressure in a water tank—

A. They will not take supervisory, just fire alarms only.

Q. Just fire alarm and water flow system?

A. Water flow and fire alarm, any device that will indicate fire, whether it is rated as thermostat water flow, transmitter, or something of that nature. But as far as closed valves, or low water, low air, they will not accept.

Q. Do you know of any other commercial or industrial enterprises here in Kansas City that have this type of service?

A. No.

Q. But there are others? You just don't happen to remember them?

A. There is bound to be others, I mean, because they will accept them.

Q. Did you solicit fire alarm business when you acted as a dealer for Notifier?

A. Definitely.

Q. You haven't done any soliciting since you have been with Alarm Engineering Company?

A. Yes.

Q. Oh, you have? I thought I understood you just got calls.

A. We are fire and burglary. As I said before, we service fire, burglary, and all these.

[fol. 6660aaa] Mr. Wilson: What he means is that you haven't been out in the field.

By Mr. Fritz: Canvassing.

Mr. Wilson: Canvassing.

A. Yes, I sold a system in Springfield, remote water flow.

By Mr. Fritz:

Q. Have you ever approached what you thought was a prospective subscriber to an alarm service, and have your proposal rejected on the ground that the owner of the premises was satisfied to have insurance coverage, and felt that he had no need for an alarm service?

A. Yes.

Q. Is that a fairly common occurrence?

A. No.

Q. But it did happen?

A. It has happened, yes. There is always somebody who thinks they are covered with an insurance policy, but they are not. I never saw one jump out of the door yet, until the fire department had a fire.

Q. But at least in the minds of some prospective subscribers, that is a substitute for what it is that you sell?

A. Yes.

Q. Do you believe that competition is on the increase in this area in the alarm business?

A. Yes.

Q. Would you list the companies that are in competition [fol. 6660bbb] with you, again? I am sorry.

A. Fire or burglary, or both?

Q. Both, of all the types of service.

A. Mossie, Damon and ADT.

Q. Have you lost any subscribers since you have been in business as Alarm Engineering Company?

A. Have I lost any?

Q. Yes.

A. In what way?

Q. Have they canceled or terminated their contracts?

A. No.

Q. When you acted as a dealer for Notifier, did you ever secure any companies which had been ADT subscribers?

A. Yes.

Q. What type of service had they been receiving from ADT?

A. Remote water flow.

Q. And you sold them what?

A. Notifier water flow remote.

Q. Did you ever sell a remote water flow for any other

type of Notifier system to a customer of ADT, that is a central station customer of ADT?

A. No, nobody will go from central station to remote.

Q. Beg your pardon?

A. No one will change from central station to remote.

Q. You are saying that has never happened?

A. I don't think it has. I don't think the insurance [fol. 6660ccc] company would allow it, in the first place.

(Whereupon, a short recess was taken.)

(Whereupon, the last question and answer were read by the reporter.)

Q. There are some self-insured people who are interested solely in protection, than in whether or not they have insurance policies, are there not?

A. The United States Government, for one.

Q. And they use various types of this protection service?

A. Yes.

Q. The Government here in Kansas City uses remote station?

A. There is no remote station at the present time on any governmental agency, except the Truman Library, and that is GSA.

* * * * * * *

[fol. 6660ddd] Q. Do you know whether any of your competitors have attempted to restrict your operations in this area?

A. Well, that would be hard to say. I mean, by underbidding only, they restrict my operations.

Q. But apart from that, you don't believe that has occurred?

A. No.

Q. Do you have any trouble securing leased lines neces- [fol. 6660eee] sary to render service?

A. No, sir, not in this area.

Q. Do you know how your prices compare with those of your competitors?

A. Oh, they vary. I mean, the whole jobs don't run the same as my competitors, or myself, either one.

Q. The pricing of a burglar or fire alarm job depends

pretty much on the individual estimator's judgment, does it not?

A. Right.

Q. And two men working for the same company might come up with different prices?

A. It depends on what company you are working for.

Q. It doesn't happen in your company?

A. I am the sole salesman.

Q. I see. But if there were two, then it could happen?

A. Unless we had a policy set for a certain price for a certain item. Where that occurs, then there is no deviation from fifty salesmen or a thousand salesmen.

Q. But generally speaking, do you find your prices are lower than those of your competitors?

A. No.

Q. Take Mossie Alarm for example.

A. I am always high.

Q. You are higher than Mossie?

A Yes.

Q. How about Damon Alarm?

A. Higher than Damon.

[fol. 6660fff] Q. How about ADT?

A. I am under them.

Q. Is there some difference in the service that you render that accounts for the fact that your prices are higher than Mossie and Damon?

A. Yes. I feel we have superior service and we give direct line service, which Damon doesn't give. His is all McCulloh code, and a direct line is superior to a McCulloh code circuit.

Q. Do you feel that there is some difference between your service and ADT service that accounts for the differential in prices?

A. No, we furnish the same service. We have to respond within ten minutes on burglar alarm. We have to respond within thirty minutes on fire alarm. As long as you meet the Underwriters' specifications for the type of alarm it couldn't deviate too much from ADT.

Q. Do you find the amount of insurance premium discount available to the subscriber to your service acts as a sort of ceiling on the amount that you might charge for your service?

A. Let's restate that now, the same thing over again. Let me get the full impact.

Mr. Fritz: Will you read the question, please?

(Whereupon, the last question was read by the reporter.)

A. No, the amount of discount to a subcriber doesn't [fol. 6660ggg] limit or set my prices at all. I don't know what the discount is, because the insurance companies and the rating bureau set them, and I don't get into that at all. All I do is give them a bid of what I can do for them.

Q. Don't you find that when a subscriber considers your service he takes into account the amount by which his insurance premiums would be reduced?

A. Definitely.

Q. And if the price for your service far exceeded the amount of the discount he would obtain as a result of having your service, don't you believe you would have difficulty in selling your service?

A. Not for a good salesman. I mean, one man can go in and sell a man a fire alarm system where he receives no credit and doesn't even mention the word "discounts," where another man couldn't come in and sell it to the same man with discounts. That is the difference in salesmanship.

Q. So to some subscribers, the availabilty or non-availability of insurance discounts doesn't mean anything?

A. I have sold a lot of jobs where discounts weren't even mentioned.

Q. So a subscriber like that, who isn't interested in the insurance aspects, will be satisfied with some sort of alarm system that wouldn't qualify him for a discount?

A. That is possible. Some of them were surprised they [fol. 6660hhh] could get discounts.

* * * * * * *

Q. You mentioned before, underbidding, as one of the things that your competitors have done.

A. You have this in the alarm business, the same as you have it in any other business.

Q. The same as you would have it in any normally competitive business?

A. Right.

Q. Have you had occasion to speak with any representatives of the Government with respect to this case?

A. Yes.

Q. To whom did you speak?

A. I gave a statement to Prince somebody, with the FBI.

Q. Do you recall when that was?

A. No. It has been two months ago, probably—approximately two months ago.

Q. That was a signed statement?

[fol. 6660iii] A. No, I did not sign it.

Q. Do you have a copy of it?

A. No, I certainly don't.

Q. Was that the first contact you had with the Government?

A. Right.

Q. With respect to this business?

A. Yes.

Q. Could you tell me how it came about you gave that statement?

A. He come to my office and asked me for it.

Q. Had he written or called you previously?

A. He called me and made an appointment.

Q. Did he have a series of questions which he put to you?

A. Well, I don't know whether they were a series or not. I don't recall him looking on anything and taking them item by item, but he did ask me pertinent questions to the alarm industry.

Q. Do you recall what you told him?

A. About the same thing I am telling you here, maybe. I can't recall all that went on.

* * * * * * *

[fol. 6660jjj] By Mr. Fritz:

Q. Have you had any occasion to complain to the Government, or any other persons or bodies, about the activities of ADT?

A. I have never complained about ADT to the Government.

Q. Have you ever had occasion to submit more than one bid to a prospective customer?

A. The only time I have ever submitted more than one bid to a customer was for different types of service.

Q. Have you ever submitted a second bid after the customer told you that someone else had come in lower?

A. Absolutely not. I have one price.

Q. Was that the fact, also, when you worked as dealer for [fol. 6660kkk] Notifier?

A. Right.

Q. Do you know whether, in any of the instances where you encountered Mossie or Damon Alarm in competition, that they submitted more than one bid?

A. No, I can't say that to be a fact. The only time that I ever had any connection with anything like this was that I had a proposal signed by a business and the next morning I went by, and Damon was installing the alarm.

Q. Do you have any knowledge of instances where ADT may have submitted a second bid?

A. No.

Q. Am I rightly informed that you had 26 nursing homes installed, or tied into the Fire Department, when you started off in business as Alarm Engineering Company?

A. I don't recall the number. There was quite a few tied in when I came to Kansas City.

Q. Did you convert the nursing homes to central station service?

A. Yes.

Q. And they are still being served as central station customers now?

A. Yes.

Q. Do they continue to have the tie-in directly with the Fire Department?

A. No, sir, central station tie-in.

Q. Do you know of any nursing homes here in Kansas [fol. 6660 lll] City which are tied in directly to the Fire Department?

A. I have nothing into the Fire Department. I pulled every alarm out of there, which they requested, and I have a letter to it from the alarm superintendent, requesting me to remove them.

Q. Have you had any complaints about the operation of the remote systems that had been tied into the Fire Department?

A. Definitely, I had complaints myself. Remote station can't compete with central station.

Q. Would you elaborate on that, please?

A. Yes. Because a fireman is paid by the city, and his duties are to dispatch fire equipment and take care of telephone calls, and when a private enterprise comes into the Fire Department, they don't like it. It increases their duties; it doesn't increase their salaries, and they live with it, but they don't like it. They will dispatch a fire truck if they get an alarm on the board, but a trouble signal can show up and they will ignore it.

Q. Doesn't the sale of equipment for remote station service constitute a great part of Notifier's business?

A. Yes.

Q. They have made a successful go of that business, have they not?

A. Right.

Q. And that includes systems that transmit trouble sig-
[fol. 6660mmm] nals as well as water flow systems?

A. All systems transmit trouble signals to remote stations. That is Underwriters' specification.

Q. As far as you know, Notifier has grown considerably over the past few years, has it not?

A. Right, from nothing to the largest manufacturer in the country.

Q. And its remote systems——

A. Remote, proprietary, everything.

Q. Its remote systems have worked satisfactorily, then, in many places?

A. Oh, yes.

Q. I failed to ask you earlier, when you mentioned your gross revenue for the year, whether all of the business of Alarm Engineering Company consists of alarm business.

A. It is alarm business.

* * * * * * *

Cross-examination

By Mr. Story:

Q. Mr. Smith, in connection with Notifier's business, when you were their representative, could you give us the percentage of the business that you did outside of cities which had approved central station systems?

[fol. 6660nnn] A. The percentage of business that Notifier franchise—that I did with Notifier in Springfield, or Joplin, or——

Q. Yes.

A. Compared to the Kansas City area?

Q. Yes.

A. Prior to Alarm Engineering, I would say it was 80 per cent outside of the greater Kansas City area.

Q. So most of Notifier's business, then, in direct connected, has been conducted in those cities where no approved central station exists?

A. Right.

* * * * * * *

[fol. 6660ooo] Q. Do you know of any instances where you attempted to secure a protection contract, where the subscriber told you that he had to have approved central station protection service before he could get insurance at all, irregardless of the premium discounts?

A. Yes.

Q. Could you name any instances like that for us?

A. Yes, Swift and Company.

Q. Where are they located?

A. St. Joseph. I was asked to bid that job, and I went up and spent a week on it and gave them a bid, and was told at a later date they couldn't accept my remote station service, they had to have central station, after I had spent a week on it. And there was a dress shop in St. Joe; the insurance company informed me they wouldn't go to remote station, they had to have central station. There was a feed mill that did the same thing, which was—what is the one that has the news every day at noon? Lassy stuff, not Dannen. There is another feed mill up there, but I can't remember the name of it.

Q. So you have encountered instances such as that throughout the time you worked for Notifier?

A. Oh, definitely. I have run across it for fifteen years. In fact, the insurance companies were informed at one time that Notifier would not be given credits for any water flow [fol. 6660ppp] alarms in St. Louis, St. Joe and Kansas City as long as there was an ADT central station.

Q. Now, sir, you mentioned a moment ago that before your central station was set up you were—or after it was set up, or at sometime, the Fire Department asked your company to remove all of your direct connected from the Kansas City, Misouri Fire Department?

A. Yes.

Q. And you have removed all of them?

A. I have removed them all, and the letter stated "immediately", it didn't say "as soon as possible".

[fol. 6660qqq] Q. Mr. Smith, when did you actually receive your approval from the Missouri Inspection Bureau to conduct approved central station fire alarm service?

A. April 4, 1962.

Q. And it is my understanding that you are making preparations at the present time to seek the approval of Underwriters' Laboratories for approved burglar alarm service?

A. I made application about two months ago, maybe two and a half months ago, for this, and I am under investigation at the present time.

Q. Have you made any investigation as to whether or not [fol. 6660rrr] the employees required by Underwriters' Laboratories will be increased, upon receiving approval, from what you have now?

A. My employees?

Q. Yes. Is Underwriters' Laboratories going to require any additional employees to service the approved central station burglar alarm service?

A. No. Our central station has been approved in writing, but all we are under investigation for now is guard runners service, or guard time, on the surprise visits of Underwriters' in the three-months period, and an examination of three months' records. At the end of that time, should they find my records in good shape and my guard service up to their specifications, I will be given approval.

Q. Now these approvals, is it costly to seek and obtain approval from these insurance organizations?

A. It costs well in excess of $1,500.00; about $1,000.00 to Underwriters', and field work and time of my men, and changing installations to meet their approval, and putting in jobs to meet Underwriters' approval.

Q. Why are you seeking Underwriters' approval for your burglar alarm service?

A. There isn't a week goes by that the insurance company doesn't call, "We would like for you to bid an alarm over here." I bid it, and they say, "What grade certificate do you issue? And I say, "I couldn't issue anything but a [fol. 6660sss] local," and they say, "We can't use your service."

Q. How often does that happen?

A. In the last six months, I guess I have talked to fifteen or twenty of them.

Q. So in order to be competitive in all fields, you have decided you have to seek this approval?

A. Right.

• • • • • • •

[fol. 6660ttt] Q. Since you have been in the central station business, have any of your local alarms been converted to central station protection systems?

A. No. I have one that wants to convert, but I haven't had time to do it. He had to get up out of bed at 2:00 o'clock in the morning and turn his alarm off, and he didn't like that.

Q. Do you plan to install a central station alarm there?

A. Whenever I get time to get around to it, yes.

Q. And you say the reason for this was that he didn't particularly like to come down in the middle of the night and set an alarm?

A. Right. The reason he had his local to start with, Mr. Wilber sold it to him. If I had sold it to him, it would have been into central station to start with.

Mr. Story: I think that is all I have.

Redirect examination:

By Mr. Fritz:

Q. You say Mr. Wilber sold that local alarm?

A. Yes.

Q. When did he sell that?

A. He sold it about seven or eight weeks ago while I was out of town, and the man called into the office for an alarm [fol. 6660uuu] system.

Q. You have answered my question.

A. And he sold it.

Q. Right. In your mind, this was a case where Mr. Wilber sold a local alarm to a subscriber who could have used central station?

A. And would have.

Q. Apparently there was some difference in thinking between you and Mr. Wilber?

A. Right.

Q. Mr. Wilber is a fair—was a fairly experienced man in this business, was he not?

A. Well, I had fourteen years experience on him.

Q. But he had been in the business prior to December, '61?

A. He was what you might call a novice in the field of burglar alarms.

Q. Novice compared with someone who had been in the business fourteen years? At that time Alarm Engineering did provide central station service, did it not?

A. Yes.

Q. At the time the local was sold?

A. Yes.

Q. I gather from your remarks about the Police Academy that in some cases local alarms are priced almost as high as some central station service?

[6660vvv] A. In this case it would have been higher.

Q. It would have been higher. You mentioned also that you have a monthly charge of $27.50 for your one central station subscriber in Kansas City.

Mr. Wilson: In Kansas, the State of Kansas.

By Mr. Fritz:

Q. The State of Kansas. Is that actual charge made to that particular subscriber per month?

A. Yes.

Q. Or is that sort of a standard central station monthly service charge?

A. That is to this particular subscriber. He only has one riser, sprinkler riser. We have one device connected to it.

Q. You have a water flow alarm?

A. Water flow. Had he had ten, it would probably have cost him $60.00 or $70.00 a month.

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[6660www] Q. You mentioned one time having received word from the Missouri Inspection Bureau the systems would no longer qualify subscribers for insurance premium discounts in cities where central stations were located.

A. Right.

Q. Did that actually take effect?

A. I saw the letter.

Q. You saw the letter, but you don't know what the actual practice has been?

A. No. When I objected to this letter they withdrew the letter, and they did give us credits at a later date because that was suppressing competition.

Q. All right. That was suppressing competition between Notifier's remote systems and ADT and others' central station services?

A. I would say so, yes.

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[fol. 6660xxx] DEFENDANTS' EXHIBITS A-E TO EXHIBIT W 6a

Alarm Engineering Company
3102 Troost Ave.
Kansas City 9, Missouri

Central Station Direct Line Alarms

Fire Alarms	36 Subscribers	$742.50
Burglar Alarms	16 Subscribers	$492.00
Sprinkler Supervisory	4 Subscribers	$125.50
Local Burglar Alarms	7 Subscribers	$51.83
Manual Fire Alarms	1 Subscriber	$40.00
Watch Tour Service	1 Subscriber	$30.00

[fol. 6660yyy] ALARM ENGINEERING CO., INC. 3102 Troost K. C. Mo.

Memorandum of Agreement made this _____ day of _____, A. D., 19____ by and between ALARM ENGINEERING CO., INC., hereinafter called "A.E.C.," and _____ hereinafter called "Subscriber."

Witnesseth:

That for the consideration hereinafter mentioned, A.E.C. agrees to furnish all labor and materials and to install on the premises of Subscriber at _____ a central station signalling system, and will maintain in good working order and operate such signalling system subject to the terms and conditions hereof and according to the rules of the Board Fire Underwriters or the insurance inspection bureau having jurisdiction, until the termination of this contract.

The Subscriber hereby agrees that there may be installed, and the A.E.C. hereby agrees to install on the above premises, the following:

1.—Water Flow Signalling Devices on	(....)	wet alarm valves
2.—Water Flow Signalling Devices on	(....)	dry alarm valves
3.—Pressure Signalling Devices on	(....)	dry pipe riser or air system risers
4.—Water Level Signalling Devices on	(....)	gravity or surge tanks
5.—Temperature Signalling Devices on	(....)	gravity tanks
6.—Pressure Signalling Devices on	(....)	pressure tanks
7.—Water Level Signalling Devices on	(....)	pressure tanks
8.—Pressure Signalling Devices on	(....)	steam pumps
9.—Signalling Devices on	(....)	electric pumps (automatic)
10.—Pressure Signalling Devices on	(....)	city pressure
11.—Pressure Signalling Devices on	(....)	excess pressure
12.—Signalling Devices on	(....)	shut-off valves
13.—Transmitters	(....)	
14.—Manual Fire Alarm Boxes	(....)	
15.—Thermostats	(....)	
16.—Annunciators	(....)	

Subscriber shall pay A.E.C. the sum of _____ _____ ($_____) Dollars, upon the completion of the said installation, and shall pay in addition for the services rendered in maintaining and operating said system and devices the sum of _____ ($_____) Dollars, per annum, (annually) (quarterly) in advance.

Except as otherwise herein provided, this contract shall remain in full force and effect for a period of five (5) years from the date said system is installed, and thereafter shall continue from month to month and shall be terminable upon thirty (30) days' written notice by registered or certified mail given by either party hereto to the other.

If the Board of Fire Underwriters, or the inspection bureau having jurisdiction, or Subscriber by his own act, shall require or make necessary any changes in the signalling equipment as originally installed, Subscriber agrees, on demand, to pay to A.E.C. the cost of such changes.

It is understood and agreed that all apparatus, devices and connections installed under this contract are and shall remain the sole and exclusive property of A.E.C., and Subscriber hereby authorizes and empowers A.E.C. to enter said premises to make inspections, tests and repairs thereto, and to remove said apparatus, devices and connections upon the termination of this agreement by lapse of time, default in the payment of any installment of rent, or otherwise, but the removal of the apparatus, devices and connections aforesaid shall not be held to constitute a waiver of the rights of A.E.C. to collect any rentals or charges which may have accrued under this agreement and damages resulting from the breach of this agreement.

Subscriber hereby authorizes A.E.C. to make installation during regular work hours. Subscriber agrees to furnish any necessary electric current through Subscriber's meter and at Subscriber's own expense. Any variation or alteration from the installation herein specified, must be requested in writing by Subscriber and shall be paid for by Subscriber.

If any new or increased charges for use of telephone or telegraph lines or other communication lines or services or if any new or increased taxes or license fees (other than direct taxes upon the value of the physical installment and equipment owned by A.E.C.) shall be hereafter charged, levied against or imposed upon A.E.C., or its business or

any phase thereof, the effect of which shall be to increase to A.E.C. the cost of performing this agreement, the calculated amount of the installments payable by Subscriber, subject to discount as hereinabove provided, shall be proportionately increased and, as so increased, shall be promptly paid by Subscriber provided, however, that such new or increased charges, taxes or license fees shall not increase the total annual rental payable by Subscriber by more than ten per cent (10%).

This contract shall constitute the entire agreement of the parties, and no verbal understanding or agreement shall change, vary, alter or modify the terms and conditions hereof.

It is agreed by and between the parties hereto that A.E.C. is not an insurer; that the payments hereinbefore named are based solely on the value of the services provided for herein; that from the nature of the services rendered, it is impractical, if not impossible, to fix the actual damages, if any, which may proximately result from a failure on the part of A.E.C. to perform any of its obligations hereunder; that in case of the failure of A.E.C. to perform any of its obligations hereunder, and a resulting loss to Subscriber, A.E.C.'s liability hereunder shall be limited to and fixed at a sum equal to ten per cent (10%) of the annual service charge, hereinabove provided for, but in no event amounting to less than the sum of Fifty Dollars ($50.00) as liquidated damages, and not as a penalty, and this liability shall be exclusive.

This contract shall not be effective until executed in writing by an officer or the general manager of A.E.C. and thereafter shall become effective on _____.

This agreement is not assignable unless such assignment shall be consented to in writing by A.E.C.

Executed in triplicate _____

Alarm Engineering Co., Inc. Subscriber.

By _____ _____ By _____

Title

[fol. 6660zzz] BURGLAR ALARM SYSTEM AGREEMENT

133 W. 65th St.
Kansas City 13, Mo.

Effective as of Dec. 31st 1961 Wilco Alarm Will Be Known as:

ALARM ENGINEERING COMPANY,
3102 Troost Ave.
Kansas City 9, Missouri

Memorandum of Agreement, made at Kansas City, Missouri, this _____ day of _____, 19____ by and between Wilco Alarms of Kansas City, Mo., hereinafter called Contractor, and _____ of _____, hereinafter called Subscriber.

Witnesseth: In consideration of the promises and agreements of the respective parties herein made, it is agreed: Contractor agrees to furnish and install, or to cause to be installed, on the premises of the Subscriber at _____ _____ one burglar alarm system complete per Contractors' specifications, provided nevertheless that materials and equipment thereof shall remain and be the property of the Contractor; and subject to the terms and conditions hereof Contractor will, without liability other than provided herein and not as an insurer, maintain or cause to be maintained such burglar alarm system in good working order until termination of this contract.

The Subscriber agrees that there may be installed on the above mentioned premises the following:

_____

_____

_____

Subscriber agrees to pay to the Contractor, its agents or assigns, for the installation of such burglar alarm system, the sum of _____ dollars upon completion of the said installation payable as follows: _____ _____, and to pay the Contractor, in addition to such installation charge, for rent and servicing said system or device while this agreement is in force and effect (whether for the initial period provided herein or for any

extension or renewal period of this agreement) _____ _____ dollars per annum payable quarterly in advance.

Subscriber agrees that the Contractor is not an insurer and that the payments herein before named are based solely upon the value of the equipment, installation described and services to be rendered, and in case of failure to perform such services and a resulting loss, the liability of the contractor hereunder shall be limited to and fixed at the sum of twenty-five dollars ($25.00), as and for liquidated damages, which sum is hereby agreed upon by the parties as liquidated damages and not as a penalty and such liability shall be exclusive.

Subscriber agrees that all materials and equipment installed on said premises hereunder are and shall remain and be solely the property of the Contractor.

It is mutually agreed by the parties hereto:

This contract shall be in force and effect for a period of _____ years from the date hereof (each full 12 calendar months from the date hereof being considered one year), and thereafter until cancelled by either party hereto as herein provided. After the term of years above stated either party may terminate this contract by giving to the other party at least thirty days written notice of his desire to terminate this contract, stating the date of termination of the contract in such notice. Any such written notice shall be deemed sufficiently given if delivered personally to the other party or if sent by registered U.S. mail properly addressed postage prepaid to the other party at his last known address.

All expense of ordinary maintenance shall be borne by Contractor, but if expenses be incurred or rendered necessary by alterations or repair to the premises such expenses shall be borne by Subscriber. Should any part of the burglar alarm system be damaged by fire or water or other causes beyond the control of Contractor repairs shall be paid for by Subscriber.

Upon nonpayment of any sum due Contractor under this agreement, Contractor may at its election terminate this contract, anything herein to the contrary notwithstanding, and shall have the right to remove all materials, equipment and wiring from the premises, with or without notice to Subscriber, and the right to collect full rent and service

charges up to the time of such removal. Subscriber hereby authorizes and empowers irrevocably said Contractor, its agents or assigns, to enter said premises to make inspections, tests and repairs while this agreement is in force and effect and to enter said premises to remove all materials, equipment and wiring belonging to Contractor at any time during ordinary business hours (business hours shall be from 9 A.M. to 5 P.M. for the purposes of this agreement) upon termination of this contract by lapse of time, by notice or otherwise.

This memorandum of agreement constitutes the entire contract between the parties hereto, and there are no understandings, representations or warranties of any kind, express or implied, not expressly set forth herein. This contract shall not be modified or amended except in writing signed by the parties hereto.

This contract shall be binding upon and shall inure to the benefit of the heirs, executors, administrators, successors and assigns of the respective parties hereto. This is not a personal service contract.

In witness whereof, each of the parties hereto has executed this contract the day and year first above mentioned.

Alarm Engineering Company

_____ By: _____

Subscriber. Contractor.

Address _____ Address _____

[fol. 6660aaaa] WILCO ALARMS, INC.
Kansas City 1, Missouri

Central Station Burglar Alarm Agreement

Effective as Dec. 31st, 1961, Wilco Alarms Co. will be known as:

Alarm Engineering Company,
3102 Troost Ave.,
Kansas City 9, Missouri.

Memorandum of Agreement made this_____day of _____, A. D., 19____, by and between Wilco Alarms, Inc. of Kansas City, Mo., hereinafter referred to as "Wilco," and_____hereinafter referred to as "Subscriber."

Witnesseth:

That for the consideration hereinafter mentioned, Wilco agrees to furnish Subscriber with central station burglar alarm apparatus and equipment in the premises of Subscriber at_____, and to maintain the same in good working order during the term of this agreement with the understanding that all said apparatus and equipment shall at all times remain solely and exclusively the property of Wilco.

The installation shall consist of the protection listed on the reverse side hereof.

On receipt of an alarm signal from Subscriber's premises, Wilco will send its representative, who will, if provided with a key by Subscriber, enter and make search of Subscriber's premises and is hereby authorized, as the agent of Subscriber, to cause the arrest of any person or persons found on the premises without authority to enter, and to hold or cause to be held, him or them, until released by Subscriber or Subscriber's authorized representative, and in such cases Subscriber hereby agrees to indemnify Wilco against any and all liability, expense or cost in consequence of such detention or arrest.

The individual names and signatures of all persons authorized to enter the premises during closed periods shall be furnished to Wilco in writing. Irregular entry of the

premises may be made on advance notice to Wilco to that effect and upon proper identification of the party or parties making such entry.

Burglar alarm service will be furnished Subscriber during the regular fixed closed hours on week days, Sundays and holidays.

In the event of interruption to the burglar alarm service, the service of Wilco shall cease upon visual inspection of the protected premises from the inside and making of necessary emergency repairs to the burglar alarm system, where keys have been furnished Wilco. Where keys have not been furnished, service of Wilco shall cease upon visual inspection of the protected premises from the outside.

Wilco assumes no liability for delays in installation of the equipment or for interruption of service due to strikes, riots, floods, fires, acts of God, or any causes beyond the control of Wilco, and shall not be required to supply service to Subscriber while interruption of service due to any such cause shall continue, but will, in such event, give notice of the condition to Subscriber or Subscriber's designated representative. The mailing of a letter to Subscriber to such effect shall conclusively establish that such advice has been given by Wilco.

All ordinary expenses of maintenance and repairs shall be borne by Wilco, but if rendered necessary by alterations or repairs to the premises, such expenses shall be borne by Subscriber. Should any part of the alarm system be damaged by fire, water or other causes beyond the control of Wilco, repairs shall be paid for by Subscriber. During such periods when service is inoperative due to repairs or alterations of the premises by Subscriber, a credit of twenty per cent (20%) will be allowed on the monthly contract service rate, not to exceed three (3) consecutive months' duration.

Subscriber hereby authorizes Wilco to make installation during regular work hours. Subscriber agrees to furnish any necessary electric current through Subscriber's meter and at Subscriber's own expense. Any variation from or alteration of the installation herein specified, must be requested in writing by Subscriber and shall be paid for by Subscriber.

Subscriber shall pay Wilco the sum of_____ ($_____) Dollars upon completion of said installation, and shall pay in addition for the services rendered in main-

taining and operating said apparatus and equipment the sum of_____($_____) Dollars per annum, payable in monthly installments of_____ ($_____) Dollars in advance on the first day of each month during the term hereof.

Except as otherwise herein provided, this contract shall remain in force and effect for a period of one (1) year from the date said system is installed, and thereafter shall continue from month to month and shall be terminable upon thirty (30) days' written notice by registered or certified mail given by either party hereto to the other.

Upon non-payment of any sums due Wilco under the terms and conditions of this contract, Wilco reserves the right to terminate this contract and remove all its equipment, wiring and apparatus from Subscriber's premises upon written notice to Subscriber of its intention so to do. Subscriber shall pay the full amount of rental accrued to date of said notice, and one-half the rental for the balance of the contract period as liquidated damages, with reasonable attorney fees, if placed in the hands of an attorney for collection.

If any new or increased charges for use of telephone or telegraph lines or other communication lines or services or if any new or increased taxes or license fees (other than direct taxes upon the value of the physical installment and equipment owned by Wilco) shall be hereafter charged, levied against or imposed upon Wilco, or its business or any phase thereof, the effect of which shall be to increase to Wilco the cost of performing this agreement, the calculated amount of the monthly installments payable by Subscriber, subject to discount as hereinabove provided, shall be proportionately increased and, as so increased, shall be promptly paid by Subscriber provided, however, that such new or increased charges, taxes or license fees shall not increase the total annual rental payable by Subscriber by more than ten per cent (10%).

This contract shall constitute the entire agreement of the parties, and no verbal understanding or agreement shall change, vary, alter or modify the terms and conditions hereof.

It is agreed by and between the parties hereto that Wilco is not an insurer; that the payments hereinbefore named are based solely on the value of the services provided for herein;

that from the nature of the serices rendered, it is impractical, if not impossible, to fix the actual damages, if any, which may proximately result from a failure on the part of Wilco to perform any of its obligations hereunder; that in case of the failure of Wilco to perform any of its obligations hereunder, and a resulting loss to Subscriber, Wilco liability hereunder shall be limited to and fixed at a sum equal to ten per cent (10%) of the annual service charge, hereinabove provided for, but in no event amounting to less than the sum of Fifty Dollars ($50.00) as liquidated damages, and not as a penalty, and this liability shall be exclusive.

This contract shall not be effective until executed in writing by an officer or the general manager of Wilco and thereafter shall become effective on _____

This agreement is not assignable unless such assignment shall be consented to in writing by Wilco.

Alarm Engineering Co.

_____

Subscriber

By _____

By _____

[fol. 6660bbbb]

Proposal

Page No. _____
of _____ pages

ALARM ENGINEERING CO., INC.
Fire-Burglar Alarms—Central Station
3102 Troost, Kansas City 9, Mo.
Plaza 3-7030

Proposal Submitted to:	Job Name:
Name:	Street:
Street:	City:
City:	State:
State:	Architect:
Date:	Date of Plans:

We hereby submit specifications and estimates for:

We hereby propose to furnish labor and materials—complete in accordance with the above specifications, for the sum of: _____ dollars ($_____) with payment to be made as follows:

_____

_____

All material is guaranteed to be as specified. All work to be completed in a workmanlike manner according to standard practices. Any alterations or deviation from above specifications involving extra costs, will be executed only upon written orders, and will become an extra charge over and above the estimate. All agreements contingent upon strikes, accidents or delays beyond our control. Owner to carry fire, tornado and other necessary insurance. Our workers are fully covered by Workmen's Compensation Insurance.

Authorized Signature _____

Note: This proposal may be withdrawn by us if not accepted within _____ days.

Acceptance of Proposal

The above prices, specifications and conditions are satisfactory and are hereby accepted. You are authorized to do the work as specified. Payment will be made as outlined above.

Accepted:

Date _____

Signature _____

Signature _____

[fol. 6660cccc] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT W7a

3422-17

U.S.A.

vs.

GRINNELL CORP. et al., JOHN W. CALLAGHAN (Alarm Systems, Inc.) Kansas City, Mo.

MINUTES OF DEPOSITION

Appearances:
(Continued)

For the Defendants American District Telegraph Company, Holmes Electric Protective Company and Automatic Alarm Company of Delaware: Messrs. Bleakley, Platt, Schmidt, Hart & Fritz, 120 Broadway, New York, New York, By Mr. Frank A. Fritz, Jr.

For the Defendant Grinnell Corporation: No appearance.

JOHN W. CALLAGHAN

* * * * * * *

Q. Would you kindly state your full name and your home address?

A. My name is John W. Callaghan, C-a-l-l-a-g-h-a-n. My legal residence is 9721 Manor Road, Leawood, Kansas. I also maintain a residence where my office is, 3704 East Fifty-first, Kansas City, Missouri.

[fol. 6660dddd] Q. Is that office the office of the Alarm Systems, Inc.?

A. It is. Office and shop.

Q. Is Alarm Systems, Inc., incorporated under the laws of the State of Missouri?

A. Missouri, December 8, 1928. I beg your pardon, 1958.

Q. What is your connection with that sir?

A. I am President of the organization. I developed all of it.

Q. Prior to the incorporation of Alarm Systems, Inc., were you engaged in the alarm or protection business, Mr. Callaghan?

A. I was a professional mechanical engineer for 25 years. I specialized in research and development. Four different corporations. At no time associated with the alarm business in any way, shape or form.

Q. I see. Would you describe in a general way the nature of the business of your corporation?

A. On inexpensive systems where insurance credits are not required, we manufacture and install our own components. Where insurance credits are required, we purchase Grade-A Fruh equipment.

Q. That is from the Ace Company in Chicago?

A. Yes, they have the Ace brand. Our shunt locks are also purchased from the Chicago Lock Company, which has an Ace shunt lock.

Q. Does the company provide fire alarm and burglar [fol. 6660eeee] alarm service?

A. At present we are not, no.

Q. What type service does the company provide?

A. All local. We have some developments of our own whereby we complement central station through radio transmitted signals and a telephone component. There are two different devices.

Q. You say you complement central stations?

A. Yes. By "complementing central station" I have reference to this. First, to clarify the operation of the term "central station", normally it means that a premises is protected and by leasing a telephone line from the telephone company, a signal is transmitted to a specific local office operated by a burglar alarm company. And then that signal is passed on to a local policing authority. It can be a state police or a sheriff's office or local police, whatever is required. We have a telephone component that calls the police directly through the operator.

Q. That component is activated when the protective device ——

A. That's correct.

Q. ——— is interfered with?

A. When the protected premises, let's say when the circuit comprising the protection circuit of the premises

being protected is broken in some manner. The same pertains also to a central station circuit.

[fol. 6660ffff] Q. And then the message is automatically transmitted over the telephone?

A. That's right.

Q. To where?

A. To the telephone operator who in turn passes it to the police station operator who in turn passes it to the dispatcher. So the dispatcher gets it directly from the premises.

Q. When you refer to the telephone operator, are you referring to the regular telephone company operator?

A. That's right.

Q. Or a telephone answering service operator?

A. The telephone company's operator. We have another device which is a radio transmitted signal, which we pick up in our base stations, and we have some radio transmittal signals in some police cars in smaller areas, smaller towns. That is developed primarily where they do not have a policeman in a police station at night. He is roving. So you see we have complemented, the normal term of central station.

Q. This is what you might call a substitute or alternative?

A. I did not say that. I say we have complemented. It is something that serves the same function.

Q. Right.

A. As central station but it is not the same as central [fol. 6660gggg] station as the term is normally, what am I trying ——

Q. Used?

A. ——used, all right.

Q. It serves the same function but——

A. The basic function is to get a signal from the premises to a policing authority is the same.

Q. The radio system which you just mentioned, do I gather that there is a transmitter located on the subscriber's premises?

A. That's correct.

Q. That transmits then to your base receiving station or Police Headquarters?

A. It transmits to our base receiving stations and where

areas are located that have police cars with our special radio in their police car. They get the signal also.

Q. Do you have any particular trade name or label for these systems or devices?

A. Alarm Systems, Incorporated.

Q. You don't have any specific name or label for that particular telephone transmitted——

A. It is called the component, police telephone component, and the radio is called our radio transmitted signal of Alarm Signals, Inc. That is the way we term it.

Q. Is that the full extent of the business carried on by Alarm Systems, Inc.?

[fol. 6660hhhh] A. That's correct, yes.

Q. Do these devices transmit signals in any cases other than attempted entries or——

A. Occasionally false alarms, the same as central stations, there are false alarms.

Q. It doesn't transmit signals to indicate the existence of a fire——

A. It is not a fire alarm system. It is burglary alarm system.

Q. Strictly burglar alarm?

A. Yes.

Q. Your business is strictly burglar alarm?

A. We confine our business to it. Originally when we incorporated we were going to handle fire alarm components. We have a number of requests from a number of insurance companies to do the same with their fire alarm systems we have done with burglar alarm systems. To date we have not.

Q. Is that something you plan for the future?

A. Yes. It could be 20 years away. It is simply blank.

Q. Do you manufacture these devices yourself?

A. As previously stated for the record, on inexpensive systems not requiring insurance credits, we make the components. We purchase required parts and assemble them into the usable unit. Where insurance credits are required, then we use only the Grade-A Fruh system.

[fol. 6660iiii] Q. Do I gather properly then that the devices which you manufacture are not approved by the Underwriters Laboratories?

A. We have not attempted to have them approved.

However, I can state this for the record, of all of the installations that we have had, and of over 50 known police verified attempts of entry, we have never had a failure of a system or a loss where a system is installed. A.D.T. can't say that. That is not on the record.

Q. Has this been the nature of the business right at its very outset?

A. That's correct. We have a side line that I carry occasionally to help people out. I am a professional safe-cracker. Once in awhile one of our customers has trouble with a safe they can't get open or needs repairing. I repair it for them or open it.

Q. Do you provide vault or safe protection through the systems you mentioned earlier?

A. We have several that way, yes. As a matter of fact—our protection is much more extensive than the majority of instances that A.D.T. is.

Q. I didn't get that. Extensive or expensive?

A. I said "extensive". I can show you many installations around this town that A.D.T. has installed, Underwriters approved installations that are not up to the Underwriters Code, and I can show you a number of [fol. 6660jjjj] them. When I asked Underwriters Laboratories about that, their engineer said, "We can't check on them all. Sometimes that happens."

Q. It may be. I suppose that those customers of A.D.T. hadn't requested a certificated service?

A. To my knowledge the customer knows nothing of the condition, so I know nothing of it myself. It is none of my business and I stay out of it.

Q. You mentioned earlier the fact that you do protect safes and vaults. Can you tell me briefly and in a general way how a system like that would be laid out or what it would consist of?

A. The interior walls and the ceiling of the vault are usually protected with vibration detectors. Then the door of the vault is usually protected either with a circuit breaker or with a standard spring and contact circuit. There are several different, as a matter of fact, many different ways of doing that, and specific installation is contingent on the required application. However, in every instance a vault or a safe having vibration detectors is

only secondary protection. That is only recognized by Underwriters as secondary protection.

We have a capacitance unit of our own development which is designed specifically for safes. It is tuned in such a nature when any foreign, shall we say—it would be foreign material that is accumulating free A-C [fol. 6660kkkk] static out of the air touches the safe in sufficient quantity, it will trigger the alarm. In other words, you can't touch it with your hand. You can't take a long insulated pole and try to upset the device by not contacting it, anything like that. Anything that is accumulating free A-C static that touches on the tune capacity of the unit or detracts from the volume capacity of the unit will trigger the alarm.

Q. Have you had occasion to employ the device, photoelectric cells or ultrasonic devices?

A. We have no use for ultrasonic because we can prove it will set off a lot of false alarms. Photoelectric cells can be beaten by going over or under them. We don't use them.

Q. What kind of protection do you put on subscriber's premises?

A. The standard window stripping, window gritting. Standard break circuit breaker contacts on windows and doors that must be opened. Screens in some windows, the insulation is contingent on the application.

Q. Do you protect walls by use of wire lacing?

A. Insulation protectors. We have one wall that is protected with a wire lacing, yes, we do have. I am glad you mentioned that. I forgot it. It is too weak a wall to put vibration detectors, inside an interior wall. They wanted protection. We have grit pattern of No. 40 wire. It is about the size of the hair on your head. It is [fol. 6660llll] adhesed to that wall.

Q. Do you use microphone systems in connection——

A. No, the only time we use a microphone is our own specific design and our radio transmitted signal. It is not a microphone in the normal sense of the word.

[fol. 6660mmmm] Q. In what area does your company operate?

A. Our basic development was the Kansas City area. However, we have at the request of several insurance

companies made several installations as much as 75 miles from here.

Q. Does the largest part of your business fall within the metropolitan area?

A. I would say within a 20 mile radius.

Q. Do you have customers right here in the metropolitan area?

A. Yes, we do.

Q. I believe you told me you don't have a formal service contract?

A. We do not have a service contract.

Q. But you will service these systems on call or request?

A. We try to have a serviceman out there within two or three hours at the greatest length of time. No matter when they call. Underwriters Laboratories state if the call comes in before noon, it is to be serviced that day, and [fol. 6660nnnn] after noon, serviced the next day. We get them all as they come in. If they come in at 12:00 o'clock at night, we send somebody out then. We don't wait until the next day.

Q. What type of equipment do you purchase from Fruh?

A. Gongs, controls.

Q. Typical local alarm——

A. Local, all local.

Q. These——

A. Our components are devices we add to a local system for complementing central station. We add them to a local installation. It is still Grade-A local.

Q. When you make an installation of Fruh equipment for a customer who has a Grade-A local recognized——

A. It is Grade-A and the equipment is marked Grade-A.

Q. That is Grade-A certificated Underwriters Laboratory installation?

A. No, we don't give certificates. We are not listed with Underwriters Laboratories.

Q. This equipment you do purchase from the Fruh Company is installed in the customer's premises and then it is connected with either a radio transmitter or the telephone?

A. If he wants it. Let's say the complementary signal transmission is attached to the local installation. Just

the other way around than what you stated there.
[fol. 6660oooo] Q. Do you have any recollection of the number of systems your company has sold since it has undertaken this business?

A. I would say in the neighborhood of 200.

Q. And so far as you know those 200 systems are still in operation?

A. With the exception of three. They have gone out of business.

Q. Can you estimate the number of those systems which are located in the Greater Kansas City area?

A. 90 per cent.

Q. I understand from your earlier remarks that you are presently engaged in making an installation some——

A. 35 miles away, that's right.

Q. That is a government installation?

A. Yes.

Q. For the federal government?

A. Yes.

Q. That is an installation of these systems we have——

A. Radio transmitted, special hookup for them. Special all of the way around, handling special equipment. A new development. It has never been mentioned before in connection with an alarm system of any kind.

Q. You mentioned earlier that some insurance companies had urged you to develop these systems or had urged you to go into areas beyond Kansas City?
[fol. 6660pppp] A. Yes.

Q. Would you feel free to mention what companies those are?

A. The North British Group, Central Surety, Great Central. There are three there.

Q. Do you know whether those companies grant an insurance premium discount to their insureds if the insureds have your systems?

A. Up to recently Central Surety did. There have been several examples since then when Central Surety, where requirements of Underwriters Grade-A were contrary to what the installation we had made was, which was ridiculous. It was the question of staying within the letter of the law, period, despite of the fact that what was already there and acknowledged much better and a

statement made by Underwriters' engineers but it is not up to our requirements. Great Central still credits. They are not members of the Bureau, of the clique. I am not a clique man. I am not a union man. Let's get it straight.

Q. Are you able to give us any idea of how many of your customers do receive insurance premium discounts as a result——

A. I have no idea. I have no idea.

Q. You do know, however, that some receive insurance premium discounts?

A. That is, some did. I don't know whether they do [fol. 6660qqqq] now or not. Some told me they did. That is all I know.

Q. How long ago was it that you last heard of one of your customers receiving discounts on their insurance premiums approximately?

A. Oh, I am old enough time gets away from me now. A year ago. It could have been six months or a year and a half. Time doesn't mean anything to me any more.

Q. Do you have a standard price list, Mr. Callaghan?

A. Yes.

Q. You mentioned that you had what you call an inexpensive system and also an expensive one?

A. No, I didn't quote it that way. I said we have a system where insurance credits would not be required and systems where credits will be required. Our intention is eventually to have Underwriters send an engineer over here and check us out and list us. But to date we haven't done that. We are too small and can't afford to put out that much money yet without borrowing it. We don't want to borrow it. This company is self-supporting as it is.

Q. Would you kindly tell me what your total revenue from the alarm business has been in the years '58 through '61?

A. The first installation wasn't made until February of '59.

Q. Perhaps you could give me the total revenue for each of the years '59 through '61. If you don't have the precise——

A. I would say approximately $30,000.00.

[fol. 6660rrrr] Q. Per year?

A. No, total. For the three years we have been in operation. The first year we lost $10,000.00. We didn't do too much. We had to build. You don't build an alarm business under five or ten years. We haven't seen a year yet that we have been out of the red yet. This year it looks like it will be.

Q. Has the situation been improving year by year?

A. Slowly. What I say, this year we anticipate being on the black side for the first time. So far we have lost a total of $17,000.00 or $18,000.00.

Q. That is since the inception of the business?

A. Right.

Q. Do you know what your total revenue has been for the year '62 to date?

A. When this installation was completed, it will have been around $5,000.00.

Q. Do you devote your full time to the affairs of this company, sir?

A. I do.

Q. Are there any employees besides yourself?

A. Currently I am the only one and I employ others when I need them just for the job.

Q. What sort of persons do you hire?

A. People who have an elementary knowledge of an [fol. 6660ssss] electrical circuiting that I can stay right with them and show them exactly what to do.

Q. You are the owner of the company, sir?

A. No, I am the primary stockholder.

Q. Who are the other officers of the corporation?

A. John J. McFadden, Mrs. W. R. Rietz, Miss Sylvia Waldren. They comprise the President, Secretary, Assistant Secretary, Vice President and Treasurer. Those functions are handled by those four people.

Q. And you are the President?

A. I am the President.

Q. Are these other officers salaried officers?

A. No. They are merely stockholders. The company is not big enough to pay any stock dividends. They have received nothing from the company.

Q. You are the only salaried employee?

A. I am given a salary but the company hasn't made enough to give me my salary. If I want something, I tell

them and I withdraw an account payment. I have never drawn a salary that is listed in the minutes of the corporation as my salary. I have never drawn that complement full yet for any year.

Q. You said before that you looked forward to this being a profitable year?

A. I didnt say that. I said on the black side of the [fol. 6660tttt] ledger for the first time.

Q. When you say that, you mean the company will——

A. I mean——

Q. ——will not show a deficit?

A. I mean the company for the first time will pay all of its debts and be on the black side, a few dollars ahead, balance even. It is going to be close. I anticipate the black side of the ledger.

Q. One of the debts will be your salary?

A. They still owe me that. That won't be caught up for years. If I didn't have other sources of income, I wouldn't have been able to continue with this at what I receive from the corporation.

Q. You mentioned that the revenue had been about $35,000.00 from February '59 through the completion of this government job?

A. About $30,000.00.

Q. And $5,000.00 for the government job?

A. If and when that is completed, yes.

Q. Has the revenue increased year by year?

A. Slowly. In other words, the number of installations have slowly increased.

Q. Could you tell me to what sort or persons or business enterprises you sell your systems?

A. It covers the field of business. We have drug stores, [fol. 6660uuuu] garages, gas stations, markets, super markets, radio, TV shops. Just general business.

Q. Do you sell these systems to establishments other than mercantile or——

A. Garage or gas stations wouldn't be mercantile, would they?

Q. How about industrial establishments?

A. Yes, we have some industrial plants, manufacturing plants.

Q. Here in the Kansas City area?
A. Yes.

• • • • • • •

[fol. 6660vvvv] By Mr. Fritz:

Q. Would you give me the name of that customer that you do have on the outskirts of the business district?
A. That is Marvin's Market, 1412 East Tenth Street, operated by Joe Vandergriff.
Q. What sort of business is carried on there?
A. Small grocery and meat market.
Q. What sort of a system have you installed there?
A. That is our own design and developed system. It is not a Fruh system.
Q. Does that system transmit a signal or does it simply ring a gong on the premises?
A. Very recently we put the telephone component in there.
Q. That goes to the telephone company's central office here in Kansas City?
A. It goes through the telephone company operator to [fol. 6660wwww] the Police Department.
Q. That is here in Kansas City?
A. Yes.
Q. Before making that installation, that system was purely a local alarm system?
A. Yes.
Q. It rang a gong or a horn on the premises?
A. A standard gong. I should have said a standard ten inch gong.
Q. What is the purpose of the gong on the premises?
A. We believe that a gong is the greatest psychological deterrent to a break-in there is, much superior to the so-called silent signal.
Q. By "silent signal" you mean——
A. A silent signal to the central station making no noise on the premises, on the premises or around the premises. Our thinking on that and it is pretty well proven out, we have several instances to prove it, the silent signal, it takes from two to 12 minutes to get a man out to the premises after a signal has been energized. It takes two

to four minutes for the average burglary and break-in and they are gone. Frequently, if they don't find what they are looking for, they tear a place to pieces. Several examples of that around town recently, with a gong, as soon as they trip the gong, they know that people are [fol. 6660xxxx] going to look, whether someone calls the police or not, they still know people are going to look. They don't want to be seen. They don't want their vehicles, if they have them, seen, so they leave the premises with a minimum amount of damage. We had one concrete example of that at a place called Helm's at 11 Kansas Avenue, Helm's Firestone Company, Inc.

Q. Is that in Kansas City?

A. That is in Kansas City, Kansas. Kansas City, Kansas. That is still in the metropolitan area here. Witnesses saw two men in a truck back the truck into a display window and knock the window out. That tripped the gong. Sitting inside the window within easy reach were six portable TV's on a rack. There was ample time for both of these men to get out of the truck, get those TV's and go. They never even left the truck. As soon as the gong sounded they drove off.

Q. Did any persons who were attracted, whose attention was attracted as a result of the ringing of the gong secure the license plate number or identify the truck driver?

A. No, the man that witnessed this was in an upstairs apartment across the street. The dead of night he couldn't see the license on the truck.

Q. Have you had any experience indicating whether or not passers-by or people living in the area where a local [fol. 6660yyyy] alarm signal goes off take the trouble to call the police or make any effort themselves to apprehend the burglar?

A. I would say the police usually get called.

Q. You know that from the experience you have had with your own alarm systems?

A. Yes. We never, even with our telephone component or radio system, we never make an installation unless we can also put a local on the building as a psychological deterrent. We have turned down several installations for that reason. Bucking the competition we are bucking and

a company established as long as A.D.T. is established we have to make sure that things are right. We don't have a lease contract that we can miss part of it and come back later. We have overlooked that. We have to add to it and charge you so much more. We can't do that.

Q. When you mentioned before that you have only this one installation in the Kansas City business district, were you referring to the downtown business district?

A. Yes.

Q. Do you have installations in other business areas in Kansas City?

A. On the fringe of the downtown area we have a manufacturing plant.

Q. These installations that you have had made are in the area served by central stations of A.D.T. or others? [fol. 6660zzzz] A. It would be expensive for central station to do so, yes. As a matter of fact, you can serve a central station like A.D.T. any distance you want if you want to pay for it. Our basic concept was the development of systems that would keep that cost down.

Q. Do you know whether or not A.D.T. or other alarm companies do render central station service in the areas where your customers are located?

A. If you want to put it that way, that broad, A.D.T. services all over the Kansas City metropolitan area. We couldn't possibly—they service all over the whole area.

Q. That is true also, is it not, of the Damon Alarm Company?

A. Yes.

Q. And also of Mossie?

A. Yes. Although——

Q. And also of Alarm Engineering?

A. Alarm Engineering is too new for me to say. I don't know much about them.

Q. Do you regard these various companies I just mentioned as competitors of yours?

A. Mossie and Damon, yes. A.D.T. I don't think you could class as competitors until they started installing locals here a couple of years ago and then they became competitors, yes. I have lost a number of sales to A.D.T. locals, and one in particular, which was two installations, [fol. 6660aaaaa] I know A.D.T. couldn't possibly have

installed for the money they installed it for and service it properly.

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[fol. 6660bbbbb] Q. You regard your system, your radio or telephone system as a functional equivalent of a central station service, do you not?

A. I said complementary to central station.

Q. Complementary, you mean similar to?

A. In function, in function only. The basic function of the term central station is, as previously stated, I believe, to get a signal from a protected premises of an attempted entry to a specific central location which will advise the local police and authority.

Q. And your system performs that same function?

A. It performs that function so it is complementary to central station but not the same as central station, a mechanical tie of an electrical circuit from a specific location to a protected area.

Q. When you used the word "complement", you don't mean your service does not complement?

A. No.

Q. Something they use instead?

A. Similar to, the basic function is the same. The method of approach is entirely different.

[fol. 6660ccccc] Q. It is something that a person would use instead of using central station service?

A. Something a person could use instead of central station, as the term is normally construed to mean central station, which is a mechanical tie of an electrical circuit from a specific location to a specific protected premises.

Q. Right. To the extent that your system provides the same funtion and protection against the same hazards as central station service, does not your system compete with central station service?

A. In basic function, yes. Cost-wise, no. We sell ours. Central station is leased.

Q. You seek to secure as customers of yours the same type of business establishments as A.D.T. seeks to secure as its customers, isn't that so?

A. Not for the central station setup. The only places we have such an installation is where the distance from the

central station is so great as to make the leasing of a telephone circuit, and I am now speaking of circuit for an alarm service, prohibitive.

Q. Would the leasing of a telephone circuit to Marvin's Grocery Store be prohibitive?

A. Certainly not. It is downtown, a matter of 12 blocks. It is different. The majority of installations are eight or ten miles, air line miles.

* * * * * * *

[fol. 6660ddddd] Q. How many customers do you believe you have within a radius of six miles of downtown Kansas City?

A. All of our business goes from there on out.

Q. Do you have any within that radius other than Marvin's?

A. We have this manufacturing plant on the fringe of the downtown area. I mentioned that previously.

Q. What is the name of that establishment?

A. Air Placement Equipment Corporation.

Q. Do you happen to know whether A.D.T. submitted a bid to secure that subscriber?

A. I don't know. I don't know.

Q. Do you believe that the Air Placement Company is beyond the area where it is feasible for a subscriber to take central station service?

A. How could you say that when I said it was on the fringe of the downtown area?

Q. It is within the central station service area then?

A. Of course. I would like to tell you one interesting thing that occurred with me and A.D.T. They wanted to put me downtown. It is with the Katz Drug Company. They have 20 some installations with A.D.T. About a [fol. 6660eeeee] year and a half ago Don Elder, who is, I think he is the purchasing agent for the Katz Drug Company, called me down and asked me to bid two drug stores and a warehouse, to give him an approximate figure that he could present to his board against A.D.T. costs which had just been increased.

About two months after that I called Mr. Elder back and he said, "No, John, we decided to stay with A.D.T.

When we showed them what your cost was, they reduced our cost. So we are going to leave it in."

Now, A.D.T. had given them a price raise and when they saw our figure, they reduced the rate to Katz. I think he said it was five per cent, but I wouldn't want to stand on that for sure.

Q. From that do you conclude that the existence of your business here in Kansas City serves to act as a brake upon the pricing by the other companies?

A. I simply assume in that instance if A.D.T. hadn't reduced their rates as Don Elder said they did so, we would probably have taken the installations.

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[fol. 6660fffff] Q. You are speaking now of the charges made by these competing companies for local alarm systems?

A. Yes. That pertains to local only.

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[fol. 6660ggggg] Q. Do you regard patrol service with watchmen as in any way competitive with your company?

A. Personally I consider them inadequate.

Q. Do you regard your system as being superior?

A. Any alarm system is superior to watchman service.

Q. When you regard an alarm system as superior, do you find that there are persons who do use patrol or watchman service notwithstanding the fact you think they would be better protected or as well protected by an alarm system?

[fol. 6660hhhhh] A. That has been mentioned at different times, but I do not have personal knowledge of anyone that continued with or had or did obtain the watchman service over an alarm system. I don't personally have any knowledge of anyone doing that. I know it has been done, but I don't know.

Q. Have you ever tried to sell your system to a customer or a prospective customer and have him refuse your suggestion on the ground that he had insurance and felt adequately protected by that?

A. They all say that.

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[fol. 6660iiiii] Q. You don't know what sort of service?

A. No. I don't know of any other offhand. If this happened, I am not aware of it. You see, in our selling of a system, the maintenance of an average system is so simple on a local installation the person can handle it themselves. Frequently we don't get called. We have some installations we have never been called on and others only were called on twice.

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[fol. 6660jjjjj] Cross-examination.

By Mr. Story:

Q. Mr. Callaghan, do you know how many central station protection subscribers A.D.T. has in the Greater Kansas City area?

A. Do I know how many they have?

Q. Yes.

A. No, I don't. I couldn't even estimate it. I know they have a lot of them. That is all I know.

Q. What do you mean, a lot of them?

A. Well, I would say at least a thousand. At least that. They have local and central, both.

Q. Do you know approximately how many central station subscribers they have in the Greater Kansas City area?

A. To be specific as to a specific number, I only know concretely of the three that I had reference to. There is a couple of others I have made notes of at the office in driving by I seen the gong inside the building with an A.D.T. sign on it, burglar alarm, and the A.D.T. sign on the door. Offhand I don't recall just where it was.

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[fol. 6660kkkkk] Q. Do you have a subscriber today to any types of your alarms which formerly had central

station protection service with the American District Telegraph Company?

A. Not to my knowledge. I don't know of any instance where we have ever taken over an installation that had previously been with A.D.T., and that is what you mean, isn't it?

Q. Yes.

A. No.

Q. What about the Damon Alarm Company, have you ever taken any subscribers that they had furnished central station service to?

A. To my knowledge we have never taken over any installation. There was a competitive installation, otherwise where the installation was owned by the people and had previously been serviced by Damon and Mossie and [fol. 6660llllll] becoming dissatisfied with the service, they heard that we gave immediate quick service and they came to us. We have been servicing them ever since. The oldest one——

Q. Local alarms?

A. All locals.

Q. All locals?

A. Yes, the oldest one I would say goes back probably a year and a half. It would be the Ritz Liquor Store on East Twelfth Street.

Q. I am talking about any of Damon or Mossie central station subscribers which changed or discontinued that central station service and took your service.

A. No, none.

Q. Have you ever been called upon by any subscribers of A.D.T., Damon, Mossie or Alarm Engineering Company to bid on a protection service where those companies were giving central station service?

A. You mean the service was already installed and had we been called to competitively bid to see what the price would be?

Q. Yes.

A. Katz is the one that I have predominantly in mind. Also Milgram's. Milgram's decided to continue with A.D.T. because we were not listed by Underwriters yet.

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[fol. 6660mmmmm] Q. Have you given us all of the instances you can recall where a central station subscriber at that time called you and asked you to bid for their services?

A. No, I beg your pardon. Rainen Furniture Company, which is one incidentally I had reference to that I told that they are certificated but the installation is not up to Underwriters requirements. They asked us to bid it one day.

Q. Did you get that account?

A. No.

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[fol. 6660nnnnn] Q. Now on these alarms that you have that are transmitted over telephone lines, does the telephone company allow this service to go over their lines?

A. They do.

Q. Do they charge you additional service for this service?

A. No. You see, we take the standard desk telephone that the people have in their premises and we attach a unit to it which automatically rings the operator on the line. We don't touch any connections on the phone in any way, shape or form. We don't take the phone out of service. We touch no part of it except to remove the receiver off of the pins and hang it up.

Q. Have there been any occasions to your knowledge over these telephone transmitted signals where the telephone operator at the telephone central has been busy and has not transmitted your alarm?

A. Not to my knowledge. We had one difficulty. They changed the telephone dialing setup around here where different exchanges had to pay tolls and we had one instance where our installation went a considerable dis-[fol. 6660ooooo] tance out of town and had to call a different exchange, and the telephone operator wouldn't pass it on because she didn't know where to make the charge for the toll. When we found that, we corrected that, so that it would pass successfully since.

Q. After the telephone operator at the telephone central receives this emergency alarm, what happens then?

A. She passes that on to the switchboard of the local policing authority.

Q. In other words, she calls the switchboard operator of the local——

A. She calls the local policing authority and the call comes into their switchboard. Then that call is given to the dispatcher who dispatches it on the air to the local policing authority vehicles. The dispatcher hears it directly from the premises. There is no inner transposition of any type from the human element. He gets it directly from the equipment.

Q. First of all, how many of your telephone transmitting alarms do you have in Kansas City, Missouri or Kansas City, Kansas?

A. Quickly I would say 15

Q. And the telephone operators within these two cities then call the Police Department?

A. Yes.

Q. And they don't report it, they just dial it into the [fol. 6660ppppp] Police Department, is that correct?

A. I assume so. I don't know. I assume so.

Q. But in any event they do call somebody and it gets through to the Police Department?

A. That's right. In many instances we have had the police ask us to show us how the equipment worked after they got the call. They thought it was pretty clever.

Q. I think you mentioned in direct examination you had been in contact with the insurance organization for the purpose of getting these systems approved?

A. I said we were contemplating going to Underwriters Laboratories, which is the testing division of the Insurance Bureau in this country, but it will cost us considerable money to bring an engineer here and we don't have that much loose money here yet. We are too small.

Q. Now sir, on these radio and telephone transmitting alarms, is it possible for the owner upon closing his business at night to forget to set these alarms?

A. On the radio transmitter and telephone?

Q. Yes.

A. It could happen. We try to avoid that, to request the owner on the telephone signal to lease an extension phone like he would have a second desk. We put that

phone right in the equipment, place it in the housing provided for it and leave it locked t minimize the pos-
[fol. 6660qqqqq] sibility of the very thing that you mentioned occurring. If he doesn't lock up his business as he would with any burglar alarm system, it is inoperative. On the radio transmitted signal, as soon as he turns his alarm on to leave the premises as he does with any local alarm, the signal becomes operative.

Q. But when he closes his business he has to set something at the front door there to put the alarm on at night?

A. He has to do that, yes.

Q. Any alarm?

A. Any alarm, yes.

Q. It is possible then under those circumstances that he could leave the premises and forget to set the alarm when he closes the front door?

A. With any alarm in the world he could do that, yes.

Q. Has that happened at any time with any of your alarms to your knowledge?

A. I don't believe so. It could have and they just said nothing about it.

Q. On your alarms, these radio and telephone transmitting alarms, is it possible for an individual to close his business at the end of the business day and set the alarm when the alarm is defective and not operating?

A. No, that is one of the reasons we insist on providing a gong no matter what type of system we put in, because as soon as he turns his alarm on the bell will start ring-
[fol. 6660rrrrr] ing. If the system is operating the bell will shut off. It tells him it is operating. If the bell continues to ring, then he has a defect in his system and he turns it off, either finds the trouble himself or calls us for service. It is an automatic operation. The only way it would be defective and his not knowing it is him not turning it on.

[fol. 6660sssss] Q. Sir, have there been any instances where people have called you and asked you about your protection service where they asked you whether or not your service was approved by Underwriters Laboratories or the Inspection and Rating Bureaus?

A. Yes, that has happened.

Q. How often does that happen?

A. I would say it is the exception of the rule but it has happened.

Q. Under those circumstances are you able to bid on those accounts?

A. No.

Q. So because of the fact that you don't have approval there are certain types of business that have been foreclosed to your company?

Mr. Fritz: I object to the form of the question. You may go ahead and answer unless Mr. Story wants to rephrase it.

[fol. 6660ttttt] Q. Let me rephrase it, yes. That was a bad question. Pretty bad. When prospective customers have called you and asked you whether or not your service was approved, have any of those customers told you or advised you that they required an approved alarm system?

A. Yes. And not only that, but there have been several places where we lost the bid and I went back afterward and asked about it. I was told we were just not approved and they couldn't get insurance credits.

Q. So you didn't get the business?

A. We didn't get it.

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[fol. 6660uuuuu] Q. Do you conduct any fire alarm business at all?

A. None.

Q. Is there any reason why you don't conduct fire alarm business?

A. We just haven't had the money to get listed by Underwriters to go into that.

Q. Do you have to have Underwriters listing?

A. Yes.

Q. Before you can do any fire alarm business?

A. Fire alarm has to go to a central station and a central station has to meet specific requirements set up by Underwriters Laboratories.

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[fol. 6660vvvvv-6661] Redirect examination.

By Mr. Fritz:

Q. Just one or two questions, do you happen to know how large an insurance premium discount is granted to customers of your service?

A. No.

Q. Purchasers of your service?

A. I don't know what any of them were.

Q. But you do know they received discounts from certain insurance companies?

A. I don't even know which ones received a discount.

Q. But you do know there are some insurance companies that recognize your systems for discount purposes?

A. Yes. But to what extent I can't say.

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[fol. 6662] In the United States District Court

Defendants' Exhibit W8a

In the United States District Court for the District of Rhode Island

Civil Action No. 2785

United States of America, Plaintiff,

vs.

Grinnell Corporation, et al, Defendants.

Deposition of Joseph Siegel, taken as if under direct examination before Robert J. Rua, a Notary Public within and for the State of Ohio, at the offices of Squire, Sanders & Dempsey, 1857 Union Commerce Building, Cleveland, Ohio, at 9:30 A.M. Tuesday, September 12, 1961, pursuant to notice and stipulations of counsel, by the defendants American District Telegraph Company, Holmes Electric Protective Company, and Automatic Fire Alarm Company of Delaware.

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[fol. 6663] Direct Examination of Joseph Siegel.

By Mr. Williams:

* * * * * * *

Q. Could we have your full name and address, please?

[fol. 6664] A. Joe Siegel, S-i-e-g-e-l.

Q. Where do you reside?

A. 2470 Buckhurst Drive, Beechwood 21, Ohio.

Q. Are you connected with any organization in the Cleveland area that furnishes electrical protective service, any company?

A. Am I connected with any other company?

Q. No, with any company.

A. No, I am not connected with any other company.

Mr. Nahra: He is asking about your own company.

A. Yes.

Q. What is the name of that company?

A. Alert Alarm Company.

Q. Is that a partnership, corporation, or proprietorship?

A. Proprietorship.

Q. And where is that located?

A. 3039 Payne Avenue.

Q. Cleveland?

A. Cleveland. P-a-y-n-e.

Q. How long has that proprietorship existed?

A. Eight years.

Q. Were you ever connected with any other organization that was engaged in furnishing electrical protection?

A. Yes. I was formerly employed by the Morse Signal

[fol. 6665] Devices.

Q. When was that, sir?

A. Well, eight years previously. Eight years back would be—about 1953. I was employed there about seven years.

Q. In what capacity, sir?

A. Salesman.

Q. Do you have any other experience in the electrical protective business besides these two that you just mentioned?

A. No.

Q. Would you explain to us generally the type of service that Alert Alarm Company furnishes?

A. Well, we install what we call local alarm systems where if anybody—an intruder attempts to break in, the alarm rings on the outside of the premises.

Q. I take it that you furnish only local burglar alarms?

A. Yes.

Q. Do you furnish local fire alarms?

A. No.

Q. Aside from the local burglar alarms that you furnish, is there any other type of protective service that Alert Alarm Company furnishes?

A. No. We put in car alarms, but that is very minor.

Q. Now, approximately when did the Alert Alarm Com-
[fol. 6666] pany begin to furnish local burglar alarm service?

A. Eight years ago.

Q. Now, would you explain to us whether you sell these alarm systems outright or whether you rent them?

A. Rent them.

Q. And how do you charge, monthly or annually?

A. A monthly fee.

Q. Do you have a standard form of rental agreement that you use?

A. Yes, a standard form.

Q. Do you have a copy of that with you today, sir?

A. I don't have a copy.

Q. For how long a term is it?

A. Five years.

Q. And through that rental agreement, does your company retain title to the equipment that you install on the subscriber's premises?

A. Yes.

Q. Is this rental agreement that you use at the present time substantially the same as the one that you have been using for the last eight years?

A. Yes.

Q. Do you know whether it is similar to the rental agreement used by Morse Signal Devices?

A. Yes.

[fol. 6667] Q. Would you describe to us, sir, what it is that you do when you receive a request from a customer for an estimate on installing a local alarm system?

A. Well, I immediately go down there and inspect the premises and check the windows and the doors, the amount of openings there. Then I come up with a figure for installation and monthly service.

Q. What is your installation charge based on, how do you arrive at that?

A. Well, we base it on the number of openings, outer openings, windows and doors, and the type of construction of the building.

Q. Do you take into account the amount of equipment that would be necessary for you to install?

A. Also the equipment, yes.

Q. Do you also take into account in your estimate your labor charges?

A. Well, yes. That would be taken into account, too, due to the fact that the type of building—if there are steel windows, of course, they are much harder to do than if they were wooden ones.

Q. Do you also have a factor in there allowing you some profit for the installation itself?

A. We don't make any money on the installation.

Q. After the installation is made, how do you receive [fol. 6668] payment for it? By that I mean, is it a lump sum payment for the installation?

A. A lump sum and we bill monthly.

Q. Monthly bills are then service charges rather than to recover the installation cost?

A. Well, the first bill would have the cost of the installation plus the first month's service and the second bill, of course, if they pay the installation, would be just the monthly charge.

Q. Do you ever or are you ever requested to spread out the installation charge by your customers?

A. Very rarely.

Q. Have you ever done it, to your knowledge?

A. Maybe over a couple of months they would pay half.

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[fol. 6669] Q. How many systems would you estimate that you have installed and operating in the greater Cleveland area now?

A. Over 300.

Q. And just in the past year, how many would you say that you installed during the past year?

A. About 40 or 50.

Q. Has that been a rather steady figure over the past five years?

A. It fluctuates. Not much but it does.

Q. Well, has it generally gone up or generally gone down or remained the same, say, since 1956?

A. Well, it fluctuates.

Q. It goes both up and down?

A. Yes.

Q. Is it pretty much about the same as it was in 1956?

A. About a little downward, a little bit downward.

Q. What would you estimate for 1960 that your gross was from these operations, just a rough estimate?

A. I don't understand what you mean.

Q. Your gross, your revenue.

A. Oh, well——

Q. Both for installation and service.

A. We take in approximately—our total on the books of the accounts, not saying that we get them, but if [fol. 6670] everybody pays, according to the record it would be about $2,400 a month.

Q. Has that figure remained fairly constant over the last five years?

A. No. Well, it couldn't be because——

Q. The number of your systems has increased?

A. Yes, increased over the five years.

Q. So, your monthly projected gross revenue actually over the last five years has been increasing, assuming that everybody paid?

A. Yes.

Q. And at the present time it is approximately $2,400 a month?

A. Yes.

Q. From whom do you purchase your alarm equipment?

A. Ademco Company in Brooklyn, New York.

Q. Do you purchase from any other source? I am not

talking about the ordinary electrical wire and things like that, but the alarm equipment.

A. Ademco.

Q. Just Ademco?

A. Yes.

Q. Have you had any difficulty in obtaining alarm equipment from Ademco?

A. No.

[fol. 6671] Q. Have you ever sought to obtain it from any other source?

A. No.

Q. Is the alarm equipment that you obtain from Ademco labeled by the Underwriters Laboratories?

A. No.

Q. Are your local burglar alarm systems approved by the Underwriters Laboratories?

A. No.

Q. Do you have the approval of any insurance rating or inspection organization in Ohio?

A. No.

Q. And I take it, then, that when you make a burglar alarm installation, you do not furnish a certificate, Underwriters certificate when it is completed?

A. That's right.

Q. Have you ever attempted to obtain Underwriters Laboratories certification?

A. No.

Q. Would you describe to us what you do for the service of the alarm systems after they are installed, that is, inspection or anything else?

A. Well, we have a 24 hour service for our subscribers. They may call at any time in the 24-hour period for service. At any time, day or night.

Q. How is the 24 hour a day service handled, do you [fol. 6672] have a telephone answering service?

A. A telephone answering service.

Q. Is that something you subscribe to or are you affiliated with it?

A. Subscribe to.

Q. How often do you make routine inspections of your installations?

A. Well, I'd say about every six months.

Q. Do you have any employees, regular full-time employees?

A. I have one full-time employee and two part-time.

Q. Is the full-time employee an installer?

A. Yes.

Q. Are the part-time employees installers, also?

A. Servicemen. The full-time employee is an installer and serviceman, too.

Q. Is he the person who responds to the night service calls?

A. No, to the day.

Q. To the day service calls?

A. Yes.

Q. Who responds at night?

A. The two part-time servicemen.

Q. And you render service within the city limits of Cleveland, Ohio?

A. Yes.

Q. Do you render any service outside the city limits?

[fol. 6673] A. The city limits—for instance, are you referring to Lakewood? Would you call that the city?

Q. Well, I don't know. I am not from Cleveland.

Mr. Nahra: He is talking about greater Cleveland.

Q. Well, greater Cleveland, then.

A. Well, we don't go out of Cuyahoga County. I mean, very rarely it isn't Cleveland. 98%, I would say, would be Cleveland.

Q. And by Cleveland you mean the greater Cleveland area and not necessarily within the city limits?

A. I would say 98% is in the city limits and maybe 2% is out in Lakewood or Parma.

Q. I take it that you do not render any service outside of the State of Ohio?

A. I'd rather not.

Q. You do not?

A. No.

Q. Would you describe just generally what one of your local alarm installations consists of from the equipment point of view?

A. Well, we will start right from the bell. We have what we call the outside bell box and the tamper button

on the outside cover, and there is an inner—what we call the inner plate which protects the bell. Then [fol. 6674] there is the bell itself and then there is the tamper button on the back part of the bell box.

Q. Now, am I correct in stating that an attack on the bell box would result in actuating the alarm?

A. Yes, by the tamper button or——

Q. Inner plate?

A. Inner plate.

Q. Then what follows next?

A. Then we have what we call a control box which turns the system on and off and we have the current which works on what we call number six batteries.

Q. Two post dry cells?

A. Yes, and of course, we render the circuit wire with foil and contacts on all of the openings, doors and windows, and after the alarm is set, anybody that opens any door or windows that is protected by the alarm actuates the bell on the outside.

Q. By interrupting the circuit?

A. Yes.

Q. Is the control set within the protected premises?

A. Yes.

Q. In other words, in order to get to where the control is set it would be necessary to make an intrusion?

A. Yes, and which would set the alarm off.

Q. Do you use dowel rod screening for skylights and [fol. 6675] similar openings?

A. Yes, we do.

Q. Do you use floor traps?

A. Yes, floor traps.

Q. Have you ever installed photoelectric systems?

A. Yes.

Q. Do you do any manufacturing or assembly of alarm equipment yourself by purchasing components?

A. We do very little of it.

Q. What type do you do, what is the little bit that you do?

A. Mainly contacts.

Q. Contacts?

A. Yes.

Q. That would be door switches and moveable window switches?

A. Yes.

Q. How long have you been purchasing from Ademco?

A. Eight years.

Q. Do you know the identities of any other firms that supply or offer alarm equipment?

A. Yes.

Q. Could you name some of them for us?

A. Well, there is Ace Alarm in St. Louis. Offhand—that is a contact company from which I purchase very little. Offhand, I can't think of any others.

Q. Have you ever heard of a firm called "Potter"?

[fol. 6676] A. Potter in St. Louis, isn't it?

Q. Yes.

A. Yes.

Q. To your knowledge, there are several or there are many firms that supply alarm equipment for purchase on the open market, is that right?

A. Well, there is several but they specialize in certain items where Ademco——

Q. Has a general full line?

A. Has a general line where you can purchase practically anything.

Q. Now, is it your policy that at the termination of the service contract and if it is not renewed, to remove the installed equipment that is on the subscriber's premises?

A. I don't know what you mean.

Q. Well, suppose you have a service contract for five years with the XYZ company, and suppose at the end of that time——

A. He does not want it?

Q. Right, he does not want to renew the contract, what do you do about your equipment?

A. Remove it.

Q. Has that happened?

A. Yes.

[fol. 6677] Q. Is the major portion of your equipment salvageable or non-salvageable?

A. Salvageable.

Q. What are the salvageable items?

A. Well, the bell and the control box is the main equipment.

Q. Door contacts?

A. Door contacts, yes, but the main items are the alarm control unit, the control box and the bell box and the bell itself.

Q. I take it that the foil tape and the screening are not generally salvageable items?

A. No.

Q. Nor wiring?

A. No. I mean, that is——

Q. What would you estimate in percentages would be the salvage value of the equipment that you take out if you took it out at the end of the five years, would it be 30, 50, 90% salvageable, that is, to the entire installation?

A. Well, it depends on how you figure it. See, I don't know whether or not you are taking the total with the labor included.

Q. Well, leaving the labor aside.

A. I'd say about 60%.

[fol. 6678] Q. Is this removal of equipment something that is covered in your form of service agreement?

A. Yes.

Q. Has that been something that has always been in your service agreement for as long as you have operated?

A. Yes.

Q. Are your prices for installation uniform or are they based on an estimate of each individual premises?

A. An estimate of each premises.

Q. Now, what about your service charge, the monthly service charge, is that uniform for all your subscribers?

A. It would be uniform but also based on the premises.

Q. You mean for each type of premises it would be about the same?

A. Yes.

Q. What type of premises do you have in mind that falls into one particular category?

A. Well, like for instance, a small store where they would have wooden windows. That would fall in one category of small local stores like dry cleaning stores, drugstores, small retail grocery stores.

I would say the next category would be gas stations

where they have got steel windows and then the category after that would be factories where they have quite a number of steel windows and doors.

[fol. 6679] Q. And your service charges then would be scaled up in those two groups?

A. Yes, scaled up.

Q. Approximately what would they be for those groups, the first group, the second group and the third group?

A. Well, my minimum charge is $7.00.

Q. And your maximum would be about how much, just an estimate?

A. The maximum that I do have or——

Q. Well, I don't mean one that would be way out of line. What is your usual maximum service charge?

A. $10, $12.

Q. Have your prices for both installation and service increased in the last five years?

A. Slightly.

Q. And what is the reason for the increase, increased costs?

A. Well, number one is increased costs but they haven't increased very much, there hasn't been a very large increase.

Q. Do you know if there are other firms in the Cleveland area which furnish service, protective service that is similar to that furnished by your company?

A. Yes.

Q. Do you know who those firms are?

[fol. 6680] A. Yes.

Q. Would you give us the names of some of them?

A. Well, there is Morse Signal Devices.

Q. What types of service does that company furnish?

A. Well, they furnish central office systems and also local bell alarms, and ADT furnishes central office systems and local bell alarms.

Q. Are there any other companies?

A. Allied Alarm, they furnish local bell alarms.

Q. Any others?

A. And Security Alarm.

Q. Also furnishing local bell alarms?

A. Yes. They do that, they operate under an outright purchase.

Q. Do you know whether there are any companies in Indianapolis that are furnishing——

Mr. Story: Cleveland.

Q. Excuse me, Cleveland, that are furnishing a type of service using a connection to a telephone answering service?

A. Yes.

Q. Who does that?

A. Allied is doing that.

Q. And do you know generally how that operates?

A. Well, yes. It operates through the phone line.

[fol. 6681] Q. Well, what does it do, how is the premises protected? Is there a silent alarm?

A. It is a silent alarm and it operates from the premises phone line over to the call bureau.

Q. I see.

A. They don't have their own central office.

Q. What do they have?

A. They have a telephone answering bureau just like I have.

Q. Then what happens, does a signal light flash or is there a sound?

A. A sound and a signal lights.

Q. Then what does the telephone answering bureau do?

A. Calls the police.

Q. They call the police department?

A. Yes.

* * * * * * *

Q. What companies in Cleveland do you consider to be [fols. 6682-6683] your competitors?

A. ADT and Morse.

Q. And is this——

A. And Allied.

Q. And Allied?

A. Yes.

Q. And do they compete with you both from the central station and the local alarm service that you render?

A. Both. ADT just in the last few years started this local bell alarm.

* * * * * * *

[fol. 6684] Q. Do you have any subscribers presently who were former ADT or Morse subscribers?

A. At their premises?

Q. Yes.

A. Or in general?

Q. Well, in general.

A. I don't know what you mean. See, there is two ways of answering that. Like, for instance, I have Checker, Checkers who are—some of their stores have Morse and now some of the stores I have.

[fols. 6685-6688] Q. I see, but what I meant, what I mean is do any of the premises that you protect now, were they formerly protected by either Morse or ADT?

A. I would say no. See, there is two ways of answering it. They might have been a former customer of Morse and the equipment might have been taken out. So, actually, I would say no.

* * * * * * *

[fols. 6689-6691] Q. In your dealings with customers for local alarm systems, has the question of insurance premium discounts ever come up, that is, burglary insurance?

A. Very rarely.

Q. Do you find that you have trouble, more difficulty in selling an alarm system that is not certificated than you would if you were able to furnish an Underwriters Laboratories certificate?

A. It doesn't happen very often. That is why I have never applied for it. To me it hasn't been worthwhile. It hasn't been worthwhile in the local bell alarm system.

Q. Would you say that competition in the field of electrical protective service in Cleveland is increasing or decreasing, based on your business experience?

A. Increasing.

* * * * * * *

[fol. 6692] Q. Do most of your subscribers normally renew?

A. Yes.

Q. Do you enter into a new contract with them or does

the existing agreement merely become a year-to-year existence?

A. A year-to-year existence.

Q. During the past five years, Mr. Siegel, has your business operated at a profit or at a loss?

A. A profit.

Q. Without going into the amount of profit, which I do not want to know, has the profit been increasing over the last five years?

A. Yes.

* * * * * * *

Cross-examination of Joseph Siegel.

[fols. 6693-6695] By Mr. Levy:

Q. Mr. Siegel, I believe you stated that within the last two or three years ADT entered into the local alarm business in this city. Now, prior to that time it was not engaged in the local burglar or fire alarm business in the city of Cleveland?

A. That's right.

Q. Now, prior to the time that ADT entered into this business, did that company or any employee or salesman of that company ever refer a local burglar alarm account to you?

A. Yes. In a very few instances where the salesman might have called and said that they might be interested in a local bell alarm.

* * * * * * *

[fol. 6696] Q. During the last five years, can you recall any instances in which a subscriber who had central station service in his premises discontinued that service with either Morse or ADT and subscribed to your local burglar alarm service?

A. I would say no.

Q. During the last five years, can you recall any instances in which a subscriber who had your local burglar alarm service discontinued that service and subscribed to central station burglary protection service?

A. Yes.

Q. How many instances?

A. A few. The few I recall—this last one, and there have been a few, I know that.

Q. Two or three?

A. Yes.

Q. In a five-year period?

[fol. 6697] A. Yes.

* * * * * * *

Q. Now, can you tell me something generally about the size and nature of the businesses in which your customers engage, or your subscribers engage, are they all [fol. 6698] small businessmen, medium-sized businessmen, or large businessmen?

A. Well, mostly small retail merchants.

Q. Mostly small retail businesses?

A. A big percentage of them.

Q. What percentage would you say?

A. 75%.

Q. Now, Mr. Siegel, are there any conditions which you know of which limit the effectiveness of the local burglar alarm system?

Now, let me ask you another question——

Mr. Williams: Do you want to strike that question?

Mr. Levy: No, I want to leave it unanswered.

Q. Does the local subscriber's premises have any effect on the effectiveness of the local burglar alarm system?

If a subscriber's premises are located in a remote area, would that have any effect on the effectiveness of the local burglar alarm?

Mr. Williams: I object to the form of the question.

A. I don't understand what you mean. Do you mean, for instance, if he is out in the woods or something?

Q. Yes, exactly. Would that have any effect?

[fol. 6699] A. On the local bell alarm?

Q. Yes.

Mr. Nahra: He does not mean does the alarm ring.

A. I would say that actually I feel that the effect of the noise itself is a definite deterrent to the burglar irregardless of where the location is.

In fact, if I was a burglar and all of a sudden that thing went off at a, say, off of the street place, I am not going to hang around there, irregardless.

Does that answer your question?

Q. Yes. Have you ever had any difficulty in selling a local system due to the location of the premises? Did the potential customer question the effectiveness of the system because of his location?

A. Very rarely.

Q. But there have been instances in which they have?

A. There might have been a few.

Q. Can you recall any specific instances?

A. No.

Q. Is it possible for a local burglar alarm system to not be in operating order without the knowledge of the subscriber?

A. I think it is possible in the central office, too.

Q. Now, my question refers specifically to a local [fol. 6700] burglar alarm system.

A. It is possible.

Q. What are the possibilities?

A. Well, actually, I mean, like for instance, the front door could be cut out, open, rather, or one of the openings, and the person setting the alarm would not know it.

Q. What other possibilities are there?

A. On the local bell alarm?

Q. Yes, that you have knowledge of.

Is it possible that the subscriber——

Mr. Williams: Do you want that question answered, or are you just going to let it stand?

Mr. Levy: I will let that question stand.

Mr. Story: Maybe we had better have the Reporter read the question to the witness again.

A. No, I remember the question. You are asking me if it is possible that—if he could set the alarm without knowing that parts of his premises are unprotected, is that what you are referring to?

Q. That's what I was referring to, yes.

A. There is a possibility of other ways out—one could [fol. 6701] be that the alarm is inoperative.

Q. Well, I am interested in those ways, sir. Will you tell me them?

A. I am trying to figure out ways where it could happen. Somebody might have jammed the bell. It is a possibility but very remote, but the bell might have been jammed.

Q. Is it possible that the subscriber may not turn on his system, forget to turn on his system?

A. It is possible that he might forget but it is very rare. It becomes a habit, very much like locking the door.

Q. Well, have any of your subscribers' premises been burglarized when this system was not in operating order?

A. No.

Q. In each instance where there was an attempted burglary or burglaries, the alarm went off?

A. The alarm went off.

Q. In the instances where there was a burglary and the alarm went off, were the burglars successful in taking away the property of the subscriber in any of these instances?

A. Well, there have been hit and run which could not have been stopped. Like grab through a show window.

Mr. Williams: Would you repeat the last question and answer, please?

[fol. 6702] (The last question and answer were read by the Notary.)

Q. But they were not an appreciable amount of property?

A. No.

Q. What is your answer to that, sir?

A. No.

Q. I believe you have stated that your local burglar alarm system is not certificated or accredited?

A. That's right.

Q. Does this fact affect your ability to compete with local burglar alarm systems that are accredited by insurance organizations or rating bureaus?

A. Not too much. Very rarely does an instance of local certification come up.

Q. Have you ever lost a subscriber because you do not furnish an accredited service?

A. Yes. Very rarely has it happened. Just in a couple of instances.

Q. Now, would you name the companies in the city of Cleveland which you meet in competition in trying to obtain local burglar alarm accounts?

A. Well, that would be ADT, Morse Signal Devices, Security Alarms, Allied Alarms.

Q. Now, when you mention these companies, are you referring to the local service which they provide, is that what you mean by competition?

[fols. 6703-6705] A. Yes, local alarms.

Q. The local alarm service provided by ADT, Morse, Security and——

A. Well, also central office systems that are provided by Morse and ADT. That would be competitive, too.

Q. In what manner would that be competitive, sir?

A. Well, that would be an added service that they furnish the subscriber.

Q. That you cannot provide?

A. Which I am unable to, which I don't provide.

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[fol. 6706] Q. I would like to go back to this account that you lost to the American District Telegraph Company, and I believe you said it was the Key-Tag Company?

A. Yes.

Q. Would you tell me fully the facts relating to this incident?

A. Well, there were a number of attempts at the building in which the local alarm saved them. One attempt, they went in where there was no protection in the front. There was quite a number of windows in the front office that were not protected and they went through that section, and the last burglary that they had, I understood that they had gone through a wall which, of course, was no fault of the alarm.

Q. Can any local alarm protect against that sort of intrusion?

A. Well, actually we could do almost anything that

central office could do but the only difference is that instead of linking into the central office, the alarm rings [fol. 6707] locally at the premises.

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[fol. 6708] Q. To your knowledge, do Morse and ADT protect the same types of retail stores that you protect?

A. I don't think they—Morse or ADT does that, points to them and says, "I am not going to do this store and I am not going to do that store."

They don't choose if a person wants protection and is willing to pay for it.

Q. In other words, you stated that you protect to a large extent retail stores, and do you know whether ADT and Morse also protect retail stores in Cleveland?

A. Certainly.

Q. Of the same type generally?

A. Well, yes, but of course, their alarm service would—well, it would be of all types. I mean, I can't actually classify it but——

[fols. 6709-6712] Q. Well, does the service that is offered by your firm and that which is offered by Morse and ADT have the same object, the protection of property?

A. Yes.

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[fol. 6713] IN THE UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT W9A

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION, AMERICAN DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE COMPANY AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

The deposition of GEORGE J. KUSTA, called by the defendants for examination pursuant to subpoena and pursuant to the Rules of Civil Procedure for the United States District Courts pertaining to the taking of depositions for the purpose of discovery, taken before SEYMOUR L. WOLFE, a Notary Public within and for the County of Cook and State of Illinois, at Suite 1825, One North La Salle Street, Chicago, Illinois, on the 2nd day of October, A. D. 1962, commencing at the hour of 10:00 o'clock a.m.

* * * * * * *

[fol. 6714] GEORGE J. KUSTA, called as a witness herein by the defendants, having been first duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Conkling:

Q. Mr. Kusta, would you state your full name for the record, please.
A. George J. Kusta,
Q. And your residence address?
A. 4472 Kentucky, Gary, Indiana.

Q. Where is Gary, Indiana, approximately from the loop here in Chicago?

A. Oh, it is south, I'd say.

Q. About how far?

[fol. 6715] A. About 36 miles.

Q. Are you engaged in the protective service industry?

A. Yes, I am.

Q. Are you connected with a company engaged in that business?

A. Am I connected with it? I own it.

Q. You are the sole owner of a company in that business?

A. Yes.

Q. What is the name of the company?

A. Arrow Electric Protection Company.

Q. And you are the sole owner?

A. Yes.

Q. For how long have you been the sole owner of that business?

A. For 13 years.

Q. Very briefly, back before 13 years ago when you became owner, what was your business experience; what have you done?

A. What have I done?

Q. Just a sketchy background of your experience.

A. I was working for Reliance Electric years ago in [fol. 6716] Chicago as an installer and then from there I went to Guardian Electric in Chicago.

Q. In Chicago?

A. Yes.

Q. Then 13 years ago you became owner of your present business?

A. That is right.

Q. Where you now are?

A. That is right.

Q. Let's see, 13 years ago, that takes us back to 19—— is it 1949 that you became the owner of this business?

A. That's right.

Q. So that for the last 10 years you have been engaged soley in the operation of the business that you have named in Gary?

A. Ever since I took over.

Q. What is the nature of the business that that company performs?

A. What is the nature of my business?

Q. Yes.

A. Burglar alarms.

Q. Go ahead.

A. And any signaling devices that anybody might want. [fol. 6717] Q. Would you tell me specifically each kind of protective service that your company furnishes?

A. I have central station alarms; I have direct wire alarms; some fire alarms; sprinkler systems; I have local alarms and very few home alarms.

Q. Now you do have a central station in Gary?

A. I have a small central station, yes.

Q. What is the address of your business?

A. 716 Broadway.

Q. Do you own the building at that address?

A. No.

Q. Do you rent?

A. I rent the second floor. Fields is the owner. I don't think they are the owners. They rent the building.

Q. And on the second floor of that building in Gary you operate a central station?

A. That is right.

Q. Would you tell me what is a central station and how does it work?

A. What is a central station? We receive signals from subscribers when they close their stores up. We watch over the boards at night, dispatch the police and dispatch [fol. 6718] our men if there is a break in there or an alarm or a signal device.

Q. You operate on a 24-hour-day basis?

A. 24 hours a day.

Q. Seven days a week?

A. Seven days a week.

Q. How long has your company been rendering central station service in Gary?

A. I wouldn't know offhand but Continental Electric was the original owners of these and they have been there for years.

Q. Let's talk about the last 10 years. Let's concentrate on the last 10 years.

A. Well, I have been 13. From the day I started.

Q. Let's go to 10.

A. Yes.

Q. Have you been rendering central station service for the last 10 years?

A. Oh, yes.

Q. Now you say you also render direct-connected service in Gary?

A. Well, I have direct wire service, such as the local alarm — are you familiar with burlar alarms or [fol. 6719] not?

Q. I am trying to find out how familiar you are.

A. Oh, I see. You are trying to find out what I know.

Q. Yes. But I know very little about the whole thing. That is why I am asking you these questions.

A. I have local alarms that can trip a signal in my office and also in police stations.

Q. Are these local alarms which trip a signal in your office, are they an auxiliary alarm of some kind monitored by a central station?

A. I monitor, yes, in my office.

Q. It is not the same alarm that goes into the police stations in Gary, it it?

A. No. Everything that goes in Gary comes into my office.

Q. And you have some accounts which go directly, which trip a signal from the protected premises to the police stations?

A. Yes, in the outlying towns, yes.

Q. What is that type of service?

A. Pardon?

Q. What is that type of service called? Is that a [fol. 6720] central station service?

A. I call it local burglar alarm with police station connection. That is the way I sell the things, so my subscribers understand that they have police station connection.

Q. Now do you have local burglar alarm accounts that are not connnected to either your central station or to your police stations?

A. Oh, yes. We have local alarms and gongs on the outside.

Q. Tell me how that local alarm works briefly?

A. What do you mean, how does it work?

Q. What is it? How do you set up a local alarm?

A. Well, we wire a closed circuit. A local burglar alarm is a closed circuit with a short, cross or ground circuit and it will create an alarm.

Q. Now when you install a central station installation, make a central station installation, you use the same equipment and devices generally as you do with your local alarms, do you not?

A. It still operates on a short, cross or ground. It is a closed circuit. We have little secret devices that we use for crosses on doors and thinks like that, but the circuit it-
[fol. 6721-6722] self is practically the same.

Q. And the same is true of your direct connected or your connections into the police department?

A. Yes. We install these according to the rules and regulations that we are governed by. The Underwriters control this, more or less.

Q. What is that, the Underwriters Laboratories?

A. Yes. We try to install these according to that. And we have had many inspections from the Underwriters every year. They come out and inspect 20, 30 alarms.

I am sure ADT has that. They have to go through the same thing that I have to do.

* * * * * * *

[fol. 6723] Q. What is your operating area? How far out from the center of your business address in Gary does your company furnish services?

A. We go as far as Highland, Michigan City.

Q. Which is how many miles from your office?

[fol. 6724] A. Oh, I imagine Kentland is about 30 miles, 25.

Q. What is the furthest distance from your office?

A. Kentland, Indiana. And then I go to Michigan City, too.

Q. Do you operate in kind of a circle, a radius of about 30 miles from your place of business?

A. Well, I go to Hammond, I go to Whiting and if I get a call from Whiting I go over there and see what they want.

Q. Now what is the purpose of the local burglar alarms that you furnish, the systems that you furnish to your subscribers?

A. What is the purpose of it?

Q. What is its purpose?

A. I install burglar alarms. Most times it is a customer who has had a loss of some kind and who feels he needs some kind of protection.

We wire all of their doors, windows, transoms, floor traps and anything that we can do.

If we see a weak wall of some kind, I try to protect that. My main purpose is to keep any intruders or burglars out so that my customers will not have a loss.

Q. Is that true of all of the services which your com-
[fol. 6725] pany furnishes?

A. Yes.

Q. Whether it is central station or local or direct connected?

A. I try to do a real good job for either one. It doesn't make any difference.

Q. And you do a real good job, don't you, in your local systems as well as your central stations?

A. I feel like I am an authority on it.

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[fol. 6726] Q. Now does your company render any protective services against fire?

A. I have a few sprinkling systems in, but we have
[fol. 6727] very few of that, and one reason that I never pushed it because nobody ever asked me about it. We were just laxed on it, you might say.

Q. Is that in Gary, sir?

A. Yes.

Q. Or in the ——

A. In the Gary area.

Q. In the City of Gary?

A. In the City of Gary, yes.

Q. About how big a city is that?

A. The population?

Q. Approximately?

A. I don't think anybody knows the population. It goes and comes. If the mills are working, there is probably

200,000 people. If the mills aren't working, maybe 150,000 people. I think the record shows 200,000 people.

Mr. Conkling: off the record.

(Whereupon discussion was had off the record.)

By Mr. Conkling:

Q. Does your company render any protective services in industrial processes, industrial plants?

[fols. 6728-6730] A. When you "industrial", you are talking about the steel mills or places like that?

Q. For example, yes.

A. We have the sheet and tin mill, I have got their holdup alarm for them. That goes into their own private watch service that they have. This is a signaling device in case they need some help, the payroll and things like that.

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[fol. 6731] Q. How many accounts do you have right now?

A. Pretty close to 375 or 400, I'd say.

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[fol. 6732] By Mr. Conkling:

Q. All right. Now we will get back to that later.

Of your 375 to 400 accounts, Mr. Kusta, how many of them are central station accounts?

A. Well, we have—is this the sheet here? We have 41 central station alarms.

Q. All right. What other—how do you break down the rest of that?

A. And then we have about 50 local alarms that trip a signal in our office, the direct-wire alarms.

Q. Go ahead.

A. Pardon me?

Q. Go ahead.

A. What else do you want?

Q. Well, you have got ——

A. Do you want to know how many certificated alarms?

Q. You mentioned 40 central station customers and 50 local which trip a signal in your office.

A. That's right.

[fol. 6733] Q. That adds up to 90. What are the other 310?

A. Them are local alarms.

Q. Local alarms. Now of those 400, how many of them are certificated?

A. Two hundred seventy-one certificates, sir, are on local alarms.

Q. And the balance are not certificated?

A. Not certificated. Many of them could be certificated but because they weren't asked for certificates, I didn't show the certificate.

Q. What certificate is that?

A. Grade A Mercantile.

Q. Grade A Class 3 is that?

A. Yes.

Q. Now do any of your central station subscribers have certificates?

A. No, they don't. At one time there were certificated alarms but we dropped out because there wasn't quite enough to—we just couldn't get enough of them to operate correctly or financially, I should say.

Q. Now has that number of 400 accounts varied or increased over the last five years? How many accounts did you have five years ago?

[fol. 6734] A. Well, I don't have that—I don't have the figures on that.

Q. Can you tell me, has it doubled in the last five years?

A. It looks to me like we put in about 40 alarms a year, probably, or 50 alarms. It depends on the size of the jobs sometimes, more or less.

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[fol. 6735] Q. Now you mentioned a moment ago something about size. You were talking about the size of the business establishments that you protect.

What is the size? What are the kinds of businesses that your local alarms service?

A. What type?

Q. Yes.

A. We go from homes to liquor stores, clothing stores, pants factories, Shoppers World—I am sure you are well familiar with those—and discount stores and things like that.

Q. What is the largest business establishment that your local alarms protect?

A. Are you speaking of the kind that trip in a police station with a guard system on the outside and a trip in the police station now?

Q. Well, I would like the largest in each of your systems actually.

A. Well, I think Shoppers World is probably the largest, has a local alarm and goes into the Highland Police Station and also into my office.

Q. What is that, a department store?

A. Shoppers World?

[fol. 6736] Q. Yes.

A. Yes.

Q. I am a stranger here.

A. Shoppers World?

Q. Yes.

A. Shoppers World is a discount store.

Q. A discount store?

A. Yes.

Q. Does it operate here in Chicago?

A. As far as I know, Chicago and suburbs.

Q. How many locations of that Shoppers World do you render service to?

A. We have two.

Q. In what cities?

A. One is in Highland and one is in Gary. Highland, Indiana and in Gary.

Q. Are there other locations of Shoppers World in Gary?

A. Not that I know of.

Q. Do both of those locations that you protect have the same kind of protection?

A. Yes.

Q. Identically?

[fol. 6737] A. Yes.

Q. And describe that protection for me. It is your local system?

A. Local system with the gong on the outside, all the windows, transoms, doors, fences. The gong rings on the outside and also in the Highland Police Station. A direct wire to the police station.

Q. Now does your form of contract, Mr. Kusta, provide that the equipment which you use and which you install on the premises of the subscriber belongs to you, belongs to your company?

A. Oh, yes.

Q. It does?

A. Yes.

Q. Has your contract always made that provision?

A. Always.

Q. Title to the equipment remains in your company, is that right?

A. That is right. That is right.

Q. So far as you know, based upon your long experience in this industry, is that provision customary and usual in the industry?

A. That answer would be yes, but there might be some [fol. 6738] people that sell outright, too. I don't know the procedures of other alarm companies but in my case——

Q. In your case, that provision is a common experience?

A. In my experience, I believe it is always a rental proposition and equipment and material belongs to the installing company.

Q. And upon the termination or cancellation of one of your contracts, what do you do about the property?

A. What do I do? We take it out and in most cases it is the business that goes out of business or enlarges or moves to another district. Many times I leave it in there and I find out who owns the building or maybe some other customer might say, "George, I am going to move in that building. Leave your alarm in there." You know. I have

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Q. You hope to pick up a replacement account?

A Naturally.

Q. If there is going to be a new tenant that might want to use your services?

A. That is just exactly right.

Q. If there comes a time that you learn that it is going

to remain vacant or the building is coming down, I sup-
[fol. 6739] pose you do something different about it?

A. Before the building is even thought of being taken down, I get in there. Most times I know the owners of the buildings. I try to make it my plans to get acquainted with them and then I tell them that, "The equipment belongs to me and if you can rent this for your building, you tell whoever you are renting to that I would like to talk to them about my burglar alarm system."

If they decide that they don't need it, I take it out. If they need it and it helps them out because I don't charge them for installation. It is already there and I am glad to pick up another account like anybody else would be.

Q. Certainly. Now what was your gross revenue last year?

A. Gross revenue? Tell him.

Mrs. Kusta: Now what does that include, installation and service or just the services?

Mr. Conkling: Let's talk about total gross and then I will ask you to break it down.

Mrs. Kusta: One hundred thousand.

Mr. Conkling: $100,000. This is 1961?

[fol. 6740] Mrs. Kusta: '61.

Mr. Conkling: Now that is inclusive of all—that is your total gross revenue?

Mrs. Kusta: Total gross revenue.

Mr. Conkling: What portion of that do you attribute to your installation charges for that year, if that it the way you figure it?

Mrs. Kusta: I just gave a service charge because you asked me for the services only. $75,000.

Mr. Conkling: Seventy-five?

The Witness: $75,812.

By Mr. Conkling:

Q. Does any of that $100,000 represent revenue from the sales of devices?

A. We sell nothing.

Q. You sell nothing. Do you do any manufacturing, incidentally, or assembling?

A. For my own use, you mean, if we need a screen or

something? I'd say no. We don't manufacture anything. I buy or purchase most of my equipment.

Q. Do you purchase all of it or most of it?

A. I purchase—we have a shop and in the shop that [fol. 6741] we use we use it for repairing things that are broke or things like that, switches.

Q. What was your gross total revenue in 1960? Do you have the figures for the last five years? Why don't you just read them off to me?

Mrs. Kusta: It is only on services. I don't have the gross.

Mr. Conkling: What were your service figures? Give me '60, '59, whatever you have there.

Mrs. Kusta: From 1960 up.

The Witness: 1960 was $69,109.62.

By Mr. Conkling:

Q. '59?

A. $57,273.96.

Q. 1958?

A. $51,206.

Q. '57?

A. $47,978.23.

Q. Do you have '56 also?

A. Sure.

Q. What is it?

A. $45,247.48.

Q. Now, you say you don't have your total gross figures [fol. 6742] for the other years.

Mrs. Kusta: I said I have the financial statements. Do we have to show that to them?

Mr. Conkling: I have got to get the total. I won't insist that you show me your financial statements, Mr. Kusta, but if you will give me—maybe Mrs. Kusta can look at them for you and you give me that total gross figures

The Witness: You might as well show it to him if he is writing it down.

Mr. Conkling: This information is not bandied about. Nobody is going to hear about it. The original transcript of the record goes to a court over in Rhode Island and

it remains there. We are not going to be talking about it until the trial, to the extent that any or all of this information is necessary for the trial of the case.

The Witness. I don't mind showing him this.

Mrs. Kusta: If you want to, okay.

Mr. Conkling: What are you looking at, 1960 now?

Mrs. Kusta: I have got 1955. Do you want to start at 1955 or 1960?

[fol. 6743] Mr. Conkling: Either way. Start where you are.

Mrs. Kusta: 1955 total gross, $51,133.44.

Mr. Conkling: '56?

Mrs. Kusta: $62,244.22.

Mr. Conkling: '57?

Mrs. Kusta: $59,445.66.

Mr. Conkling: '58, please.

Mrs. Kusta: $65,750.88.

Mr. Conkling: '59.

Mrs. Kusta: $82,237.17.

Mr. Conkling: And '60?

Mrs. Kusta: $91,076.48.

By Mr. Conkling:

Q. Mr. Kusta, you adopt Mrs. Kusta's statements, do you not? I mean, I am taking this information from you through her. Is that understood?

A. That is quite all right. It is all in here.

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Q. The differences, Mr. Kusta, between your service charge income, as testified to, and your gross revenues [fols. 6744-6745] in each year, is that attributable solely to installation charges during the year in question?

A. Yes.

Mrs. Kusta: Yes.

By Mr. Conkling:

Q. Has your business generally over the years since '55 to date been profitable?

A. Yes.

Q. I am not asking you what the profit was. I am asking you whether your business has been profitable.

A. Yes. Naturally, I'd say.

Q. Has the rate of profit, without telling me what the profit figures are and I do not especially care to know, has the rate of profit been increasing over the last six or seven years?

A. Well, the records show that we have been expanding and getting more customers. You see that for yourself.

Q. You say that you are getting more customers and more income?

A. That's right.

Q. Would you say that generally speaking your profit has been growing also?

A. Yes.

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[fol. 6746] Q. Your installations are higher, is that right?

A. Yes; because when I started out, now I used to [fol. 6747] install these myself. I didn't care about whether I—I was trying to hold this business together, and as you expand, your operating costs go higher. I'd say my installations are higher. My rentals are, I'd say, almost in line with what they were five, six years ago.

I will tell you, the way I arrive at my rentals, I try to anticipate the amount of trouble that I will have, people damaging my equipment, such as foil in doors and conditions like that. The public damaging the equipment.

Q. How do you compute your installation charges?

A. How do I?

Q. Yes.

A. Well, I try to set up in my mind the amount of windows, doors. Truthfully, I will say this: That I try to—I figure these jobs actually by the conditions of the buildings. If I get into a new building where there is nothing in our way, why, I can do a job a whole lot cheaper than I can if I got a bunch of merchandise in front of this—in front of the windows and doors. Lost time is what I am trying to put across.

Q. Don't you figure overhead and some profit element when you are computing your installation charge?

[fol. 6748] A. Well, I'd say mentally, yes, I kind of figure that I have got to have—if it is going to be a direct wire, I know I have got to give the Telephone Company $14 to hook up with the Telephone Company and I know that I have got to pay so much to hang the equipment.

If there is pipe work involved, I figure out that I know what pipe is going to cost me. But most of my trouble is labor, trying to find out how much work they are going to do in a particular day. That has always been my method of estimating jobs because I am an installer; I started out when I was 17 so I can tell you almost to the point or hour how long it is supposed to take a man to do this.

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[fol. 6749] Q. There is no profit element involved?

A. In installing?

Q. In your installing.

A. If I break even, brother, I am real happy.

Q. What about your service charges?

A. The service charge, that again I sort of—I always get—let's talk about local alarms now, seven or eight dollars a month. I feel if that man takes care of his alarm and if he gives me maybe one trouble call, or I am able to service it 24 hours a day for him or if he has an alarm at night or a breakin or a smashed window or a false alarm, we are able to go out and take care of it for him.

As the stores get bigger, the amount of protection — he puts the skylights up there and extension ladders to get to, we get more for that. Then if it just a small store with a skylight, I might still hold it down to seven or eight [fol. 6750] or nine dollars a month. I'd say eight dollars or nine dollars a month average.

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[fol. 6751] Q. What are the types of customers to whom you furnish central station protection?

A. Jewelry stores, I'd say. Jewelry stores, clothing stores.

Q. Name as many as you can offhand of the types of business.

Mrs. Kusta: Supermarkets.

By the Witness:

A. Jewelry stores, clothing stores, lumber yards. I have several taverns, supermarkets and neighborhoods that ——

By Mr. Conkling:

Q. And factories or warehouses?

A. We have factories, yes. Pants factories, dress shops.

[fol. 6752] Q. Now let's think about the local burglar alarm systems. What are the types of customers that you protect with those among those 310 customers that you now have?

A. Oh, that will go all the way from homes to scrap and metal yards, small liquor stores. I am talking about the 25-foot store maybe. Men's clothing stores. I have wired just about everything that anybody would want wired.

Q. With your local systems?

A. Well, yes. I am talking this way now, if anybody called me up and said they wanted a burglar alarm in a hotel or something, I would even wire that for them.

Q. Is all the equipment which you use in rendering your services approved by the Underwriters Laboratories?

A. I'd say yes.

Q. And you say you don't manufacture or assemble any of your own, except that I get the impression that maybe now and again you do some little assembly work? Is that true?

A. I am not in the manufacturing business. I purchase all of it but if a repair comes in, for instance if it is a bad relay or a solenoid, we just fix it.

Q. From whom do your purchase your equipment; who are the suppliers.

[fol. 6753] A. I will call them off and, Mildred, you help me.

A. W. Fruh and Company. Everybody knows Art Fruh. Cooperative Burglary.

Q. Where are they located?
A. 2817 Laramie Avenue.
Q. Is that run by a woman whose name I cannot recall at the moment?
A. Josephine Langer.
Q. Who else do you buy from?
A. Rego Wire, Ademco, Potter.

Mrs. Kusta: Central Watch, Certified.

By Mr. Conkling:

Q. I think that is enough. Those are the names that you can think of now.
A. Yes.
Q. Are there others whom you know exist?
A. In fact, I purchased a contact the other day from some fellow in New York or some place. He designed a safe contact. I bought it and I wanted to see what it was more than anything else and it so happened I can use it. In fact, I am trying it on a job today. It has been in for three days now.
Q. Do you do any work for banks?
[fol. 6754] A. For banks?
Q. Yes.
A. Yes.
Q. In Gary?
A. The First Federal Bank.
Q. What kind of system do you provide over there?
A. A holdup alarm system. Just a holdup. If you are going to talk about banks now, the ADT puts bank alarms out.
Q. I am asking you what you do now. Is there something that you want to say about the ADT Company?
A. No. The bank alarm, I haven't——First Federal, that is a bank.

Mrs. Kusta: Yes.

By Mr. Conkling:

Q. What other banks do you have?
A. That's all I have.

Mrs. Kusta: That's all we have.

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[fols. 6755-6758] Q. Have you ever had any trouble in the last 10 years getting any equipment that you need to do the business that you are trying to do.

A. I'd say nothing.

Q. None at all?

A. I don't think I have any trouble. I buy off Mr. Fruh. The names that I mentioned, we purchase from them.

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[fols. 6759-6760] Q. Have you met ADT in soliciting business in your operating area?

A. You mean individuals? Not that I know of.

Q. Not that you know of?

A. Not that I know of. But I know ADT for a long time, you know. Not as far as sitting down with them and talking about the job.

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[fol. 6761] Q. You do not know anything about that?

A. I don't know anything about that because I issued the certificate when the job is put in and where the cards fall after that, occasionally an insurance company will call up and want to know something and we give them information.

Q. Do any of your subscribers' service which connects into the police department receive certificates?

A. I'd say yes.

Q. What proportion of the 50 current accounts would you say have certificates?

A. I have had 15. Those that go to the police station, I usually issue a certificate when they ask for it.

Q. Is it the same Grade A Class 3 Certificate that your local subscribers receive?

A. That's right.

[fol. 6762] Q. And of your central station subscribers, how many, if any, have a certificate?

A. I don't issue a certificate.

Q. None at all?

A. No. But the jobs are installed; they could be certificated. The workmanship on the job is installed properly.

Q. The equipment that is installed on the job is Underwriters approved?

A. Is or has been.

Mr. Levy: Do you want to clarify what they could be certificated as?

Mr. Conkling: You bring that out later.

By Mr. Conkling:

Q. Would the certificate, if issued, be the same certificate, if you know? You have never done it, have you?

A. No. It wouldn't be the same certificate.

Q. You know it would not?

A. No. I feel like that.

Q. It would be a higher grade certificate?

A. I don't think it would be any higher. I couldn't give you a correct answer on that.

[fol. 6763] Q. How many employees do you have, sir?

A. It varies between 11 and 15, I'd say. It depends on conditions. The busier we are, the more employees we have.

Q. Has that range of 11 to 15 held fairly constant over the last 10 years?

A. No.

Mrs. Kusta: No.

By Mr. Conkling:

Q. Over the last what period?

Mrs. Kusta: Say five.

The Witness: The last five years.

By Mr. Conkling:

Q. Prior to 1956, did you have fewer or more employees?

Mrs. Kusta: We had eight.

The Witness: We went from eight to 11.

By Mr. Conkling:

Q. So your number of employees has increased over the last 10 years?

A. Yes.

Q. How do you break down those employees into cate-

gories; how many do what kind of job generally? How many installers do you have and so forth?

[fol. 6764] A. My installers, we have, I'd say an average of five installers, including apprentices.

Q. And then you have some servicemen, do you?

A. I have been using my installers for service also.

Q. That accounts for about five?

A. Yes.

Q. Now what do the other 11 to 15 do?

A. The others are operators in the office.

Q. How many operators in the office?

A. We always have two on duty at all times. During rush hours we have as high as three. I am the fourth one that can be called out at any time.

Q. And I take it that you can be called on for any of the service, anything that has to be done?

A. Anything that happens.

Q. They check with the boss?

A. Anything that happens anyplace along the line, they depend on me if they are in a tight spot or they are busy, I can fill in for them.

Q. Right. Now you, I take it, sell or solicit new business also?

A. I sell, install, shoot trouble. I do everything

Q. Right. Do you have anyone else that sells for you?

[fols. 6765-6766] A. No.

Q. And is Mrs. Kusta an employee?

A. No.

Q. She is not an employee of the business?

A. No.

Q. Do you have someone who does office work or book work?

A. We have an office girl, yes. Her duties are mostly receiving telephone calls and leads on new jobs and things like that.

Q. Now do you have any runners?

A. Any what?

Q. Runners.

A. Well, we use our installers or our men on duty that night to do this.

Q. Are any of your personnel licensed to carry weapons?

A. I am.

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[fol. 6767] Q. Now would you tell me, sir, what has been your practice when somebody calls you, a potential subscriber calls you and says that he is interested in having a protective service or when you call on someone and you are trying to sell them, what is your general practice?

A. My general practice is this: Most of my calls come through the—the leads come through the telephone or through my customers and if we are doing a job in a new area where I see a group of stores going up, or if we happen to be doing a little dress store and I see somebody else that might need an alarm, I walk in and try to get acquainted with them and maybe give them my card or something.

Q. And if they seem to be interested and they ask you, "Well, how much will it cost," what do you do? What do you do?

A. Well, I count the openings and doors and what has [fol. 6768] to be done, and then usually I write it down in a book and if they are interested in the contract, why, I say to them, "Call me and I will send it."

Q. Do you keep any kind of standard price list or guide or survey guide or unit sheet or some such thing?

A. Here (indicating).

Q. In your head?

A. Yes.

Q. Have you ever quoted on a job without surveying the premises?

A. Oh, no.

Q. You wouldn't do that, would you?

A. You mean if somebody called me up and said, "George, I have got a store with a front door and two windows"?

Q. Yes.

A. No. You see, I want to see what I am going to run into.

Q. Is every job so unique, so different from every other one so far as you know?

Mr. Levy: I object to the form of the question.

By Mr. Conkling:

Q. You may explain your answer to me.

[fol. 6769] A. It all depends on the conditions that come up in a building.

Q. If this one fellow called up and said, "Mr. Kusta, I am starting a jewelry store on X Street in Gary and I know that you protect a jewelry shop over on Y Street. Quote me a figure. I'd like the same system." Would you quote him one?

Mr. Levy: The same objection.

The Witness: On the telephone, you mean?

By Mr. Conkling:

Q. Yes.

A. Oh, no.

Q. What is the reason for that?

A. What is the reason for that? The reason for that is that I want to see the store and I want to be sure that I can do a good job to keep the intruders out of there and I don't want any of my customers or your customers or anybody else to have a loss.

I consider myself a pretty honest man and I want to stay that way and if I can't do a good job for somebody, I don't want to handle it.

For instance, I see these vents here. If I was doing a job, I would wire these vents. Not that they can crawl through here, but the hole is started. I think you know [fol. 6770] burglar alarms.

Q. Just a little bit. I am trying to learn. That is why I am talking to you, Mr. Kusta.

A. The main thing with me is, I try to be sure that there is no losses for any of my customers and if we catch a burglar, I am real happy.

Q. And has that been pretty much your record over the last 10 years?

A. Yes.

Q. No losses?

A. Well, yes.

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[fol. 6771] Q. What is the average time that you have had each of the customers whom you now have?

A. Usually we keep them until they go out of business or expand.

Q. Well, can you tell me just based on your knowledge of your business how long you have had your customers?

A. Many of them have been with us since we took over 13 years.

Q. Would you say the majority of them have been with you that long?

A. Yes.

Q. When you say majority, would you say that 90 percent of them have been with you that long?

Mr. Levy: I object to the form of the question.

By Mr. Conkling:

Q. You tell me.

A. We usually have a customer until he decides to go out of business.

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[fol. 6772] Q. Have any of your central station customers in the last 10 years changed to local systems?

A. I'd say no.

Q. How about your direct connections?

A. I'd say no. Usually if they decide on something, they stay with it.

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[fol. 6773] Q. Who are your competitors in the Gary area?

A. A man by the name of Standard Burglary Company. He has a few.

Q. What is his name?

A. The man's name, I don't know how to pronounce it, but I think it is Strite.

Q. And who else?

A. And ADT.

Q. Who else?

A. I see a few alarms being installed in town there

by unknown individuals. I couldn't tell you who they were, who they are. I don't know if they are ex-employees of mine or some other burglar alarm company but I know by the work that they are men who know burglar alarms.

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[fol. 6774] By Mr. Conkling:

Q. I do not believe I asked you whether you have any [fol. 6775] fire alarms subscribers.

A. I have water flow, two of them. Two or three.

Mrs. Kusta: Two.

By Mr. Conkling:

Q. And are these certificated?

A. Well, one goes into the fire department and the other goes into my office. Not certificated.

Q. Is that automatic fire alarm?

A. Yes.

Q. Are connections generally allowed to the fire department in Gary?

A. I imagine so. I'd say yes.

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Q. Are you able to tell me, Mr. Kusta, what the valuations are of your customers' property, generally speaking, and I am thinking about your local burglar alarm customers, the value of the inventory?

A. You mean the value of their merchandise?

[fol. 6776] Q. Yes.

A. I wouldn't be able to tell.

Q. You have no idea?

A. No. I know good clothes when I see them and I know good merchandise when I see it but I couldn't tell you what they paid for it and how much they pay for it.

I know how much they charge me for a suit of clothes but I would have no—I wouldn't even attempt to because not any more than you can tell me what my house is worth.

Usually, I can tell from the type of merchandise that

he has. If he has got Hart, Schafner & Marx clothing, I know he has got some pretty good stuff in there.

Q. And do some of your local burglar alarm customers have that kind of inventory?

A. I imagine so, yes. I have never checked them, but I know if I see the name. I know what they cost, but I don't know what it is worth or how much stock they have. I don't think they would tell me if I asked them.

Q. But you do have a customer who sells that kind of merchandise?

A. Oh, I have many customers that handle good merchandise.

[fol. 6777] Q. And are these your local burglar alarm customers that you are talking about?

A. I am talking about burglar alarms, my customers. Regardless of whether it is the central station or local, many of them have real good merchandise.

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[fols. 6778-6779] Q. You named some companies for me a moment ago who compete with your company in Gary. Are there any persons or companies that furnish telephone answering services?

A. Yes. There is an answering telephone service there in town.

Q. And do you find that they are rendering protective services to people whom you would like to be servicing if you could?

A. I know that they are answering some—receiving some calls there, I believe, but I don't know who they are. I have never been in the place. I wouldn't even know who they are. But I know that they have got an answering service and I know that they have some alarms coming in there but I never bothered to find out.

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[fol. 6780] Q. Have you actually bid on any job that the ADT Company bid on, to your knowledge?

A. Not to my knowledge. I got a job in Michigan City, Magnus Metal, was it?

Mrs. Kusta: Yes.

By the Witness:

A. (Continuing) That I got, but I don't know whether they were in there or not, except that during the installation, why, one of the workers—I am talking about a worker now—they had ADT in some other plant or something and I assume they figured on it, but I never seen the figures or anything.

By Mr. Conkling:

Q. What was the name of that outfit?
A. Magnus Metal.
Q. Magnus Metal?
A. Magnus Metal.
Q. When was that?
A. That was in Michigan City.
Q. When, approximately?

Mrs. Kusta: Five years, maybe. It could be five years and even more.

The Witness: They have since closed that plant up there so it was a takeout.

[fol. 6781] By Mr. Conkling:

Q. Do you sell any or service any proprietary systems?
A. What do you call a proprietary system?
Q. I call a proprietary system a kind of central station unit in a subscriber's premises and manned or monitored by his own personnel into their own panel and their own people.
A. Well, I have a holdup alarm system in the sheet and tin mill but we go into their police station there where the watchman sits.
Q. You mean into the subscriber's police station?
A. Yes, their own station.
Q. And that is a tin mill, you say?
A. Yes.
Q. Did you sell that system and install it for them?
A. No. It is a rental proposition. I am a firm believer of rental. I shy away from that as much as I can. I never had anyone that wanted to buy the thing outright.

Q. You have never been asked whether you would sell one of your systems?

A. To sell, no.

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[fols. 6782-6784] Q. Have they ever said that they want insurance or they need insurance and, therefore, they want a burglar alarm or need one?

A. I'd say no. It might have come up a very few times. I never had anybody say that the insurance company was pushing them or anything.

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[fol. 6785] Q. And what is your usual monthly charge for?

A. A central station.

Q. For a central station?

A. Well, that might run thirty-five, thirty. It depends on the telephone mileage. I try to figure——

Q. Go ahead.

A. (Continuing)—the telephone line. Usually I pay for that. If it is two miles away, naturally, he pays more than the man that is closer.

Q. What is your monthly charge for your police station connections?

A. I'd say twenty to twenty-five dollars a month, plus the eight percent excise tax.

Q. You mentioned this: I think you used the phrase direct line or direct wire to the police station.

A. Yes.

Q. Would you clarify that for me?

A. It is a direct wire from the subscriber to the police station.

Q. One subscriber?

A. One subscriber.

[fol. 6786] Q. On the line? One subscriber on that line?

A. On that particular line. I am a firm believer of that type of system.

Q. Is there another system?

A. They have a McCulla circuit where they put 15 or 16 on. They put more on.

Q. With various coded numbers?

A. It comes out in codes. It is okay but I am for the direct wire because you are only fooling around with seconds if you want to catch a burglar. If you put 15 or 16 up on there, that just—when my alarms hit, we are on the move. We are not trying to read tapes. Maybe that is why we have got these guys on the run, I don't know.

Q. You mean——

A. Anybody that tries.

Q. The intruder element in your operating places?

A. In Gary, I'd say we have almost instant—we have a police car there within a minute and a half.

Q. And has the word gotten around so that——

A. I hope so.

Q. So are there less efforts in breaking in and entering?

[fol. 6787] A. I hope so.

Q. That is just your general impression?

A. That is my impression.

Q. Does Gary have a reputation as being crime free or low crime rate?

A. Well, I don't see a whole lot difference from Gary and other towns. Gary, to me, the police department and the fire department, they are really on the ball. I never had any of them hesitate at any time. When I give them a signal, boy, they are there.

Q. Have there been any apprehensions of intruders in the last several years?

A. Oh, yes, there have been a few. Most of the times, if it is a break through a window or something like that, it is hard to catch those but we have caught those, too.

Q. Do you have any local alarm subscribers who, in your opinion, can afford central station service and don't have it?

Mr. Levy: I object to the form of the question.

By the Witness:

A. I don't know. I have never went into what a man can afford. I mean, you are asking me a question that I [fol. 6788] never even thought about.

By Mr. Conkling:

Q. Well, have you ever said—haven't you ever said to a customer: "Mr. X, you can afford this and I think"——
A. When I sell them a job, I say, "I have this to offer you, this and this."

Mr. Levy: The same objection to your question.

By Mr. Conkling:

Q. Based on your experience in this field, Mr. Kusta, over many years, is there any significant difference in the protective qualities of your local alarm systems and your central station alarm systems?
A. No.
Q. No?
A. Nothing. We do just as well for our local alarms than we do for our station. The type of work that you are talking about and the method of protection.
Q. And the results?
A. Yes, and the results.
Q. Have any of your local alarm customers in the last 10 years insisted on changing to a central station system because of dissatisfaction with the local alarm system?
[fol. 6789] A. I'd say no.
Q. Have you lost any local alarm customer in the last 10 years to the ADT Company or to any other company, if you know, who renders central station service?
A. I lost the central station alarm to Berezeners about a month ago.

Mrs. Kusta: Berezeners Furs.
The Witness: ADT took them over.

By Mr. Conkling:

Q. What is that, B r e s——

Mrs. Kusta: B e r e z e n e r s.

By Mr. Conkling:

Q. Does Berezeners now have some form of central station protection?

A. I don't know what they have got.

Q. You don't know what they have got?

A. I don't know what they have got. I see a gong box at the back end there.

Q. Hanging outside?

A. They have got an outside gong.

Q. Do you have any customers who, if you know, were formerly customers of ADT?

A. You mean from some other location that moved into [fol. 6790] Gary, something like that? I would say no.

It is hard for me to say this because there are jewelry stores that come in from New York and what they have got there, I don't know. I never even asked them.

Q. Do you have any customers who, if you know, do business on a national basis in other cities and other states?

A. Yes. What is the name of this new jewelry store? Drake's, Incorporated. That is a national operation.

Mrs. Kusta: Yes; Busch's are, aren't they?

* * * * * * *

[fol. 6791] Q. What kind of service have you wired in Drake's Jewelry Store?

A. They have central station.

Q. And what kind of service have you wired into Busch's Jewelry Store?

A. They have central station. Do you know Drake's? They are from New York someplace.

Q. I do not know them offhand but I will check when I get back to New York.

Do you have any other jewelry stores among your customers in the Gary area?

A. Yes, I have.

Q. Do any of them take your local service?

A. We have one or two small jewelry stores there.

Q. When you say "small", are you comparing them in——

A. Small size.

Q. (Continuing)—in area size as compared to Busch's or Drake's?

A. No; just small stores.

Q. Are they smaller than Busch's or Drake's?

A. Yes.

Q. Is Busch's and Drake's small stores?

[fol. 6792] A. Double stores.

Q. Don't you have any customers in your Gary area with double stores who take your local service?

A. I'd say yes.

* * * * * * *

[fol. 6793] By Mr. Conkling:

Q. Has the ADT Company engaged in any price war with your company?

A. I'd have to say no.

Q. Has the ADT Company, or any other company in this Chicago area, the Gary area, so far as you know, attempted to restrict the activities of the operations of your company?

A. I'd have to say no.

Q. Do you know of any person or firm who has tried to get into the protective service industry in your area, Mr. Kusta, who has not been able to get started?

A. No, I don't know any. However, I don't think I would hear about that because who would ask me whether it was all right to let——

Q. But you do not know of anyone who has tried to start and hasn't been able to start?

[fol. 6794] A. No, I don't know.

Q. Has the ADT Company, so far as you know, made any effort to drive you, your company, out of the protective service industry?

A. Not that I know of; except that I see the places that they are putting the jobs in. If you want to call that driving you out, it is competition.

Q. I do not want to call it driving out. I am asking you whether you want to call it an attempt to drive you out. Do you have any reason to believe that?

A. I can't say. I have got to say no.

Q. For how long did you say that you have been aware of ADT Company making installations in your area?

A. Well, I think when the bank started, is the first one I actually seen. Whenever you installed the bank alarms out there.

Q. When was that first one?

A. About six months ago.

Q. Pardon?

A. Six months ago.

Q. About six months ago?

A. Yes.

Q. Before six months ago, you had not been aware of [fol. 6795] or seen the ADT Company in Gary?

A. Oh, I used to see their trucks around but they always had Sears Roebuck's alarms, you know.

Q. Is there a Sears Roebuck store in Gary?

A. Sure there is.

Q. Have you endeavored to do business with Sears Roebuck in Gary?

A. Yes; to the point that I heard that they were going to have a burglar alarm installed and I found out that there was a national organization, they have ADT all over their stores and that was it.

Q. How did you find that out? When you say you found it out, how did you find it out?

A. I called in there one time, trying to find out who to talk to about burglar alarms.

Q. You called into Sears Roebuck?

A. The local store there, yes.

Q. When did you do that?

A. This is back when they installed the alarm, I would say.

Q. Within the last 10 years?

A. Oh, yes. I think it was 10 years. It might have been 10, 11. About the time, whatever time he put the [fol. 6796] alarm in out there, that is the time.

I found out that there was a national order. I figured you already had contracts signed up with those fellows at the store.

Q. You didn't ask whether you could submit a bid?

A. Well, to the point that I would like to and they told me it was a national organization.

Q. Somebody in Sears Roebuck told you that, is that what you say?

A. Whoever I talked with. And I figured, well, it comes out of New York and what am I going to do about it, fight?

Q. Have you had that experience with any other company in your operating area?

A. Well, I did the same thing, I think it is Spartan, is that the name? I called out there when the building got closed in and they were setting the glass, I called out there and talked again to the manager, who he said he was, and I told him that I would like to talk to somebody about a burglar alarm. He said, "Oh, that is all taken care of. We do this in our main office."

He made me feel like he was just the manager and I don't think he ever even told me where to write to.

[fol. 6797] Q. Was that Spartan, sir?

A. Spartan's.

Q. What kind of a store is that?

Mrs. Kusta: A discount store.

By Mr. Conkling:

Q. Do you have any knowledge of ever actually bidding for an account with the ADT Company?

Mr. Levy: I am going to object to this question as being repetitious, Mr. Conkling.

Mr. Conkling: All right, your objection is noted.

The Witness: Do you want me to answer it?

By Mr. Conkling:

Q. Yes.

A. Do I ever know what?

Mr. Conkling: Read it back.

(Whereupon the question was read by the Reporter.)

By the Witness:

A. No. I'd say no. I actually don't know.

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[fol. 6798] Q. Now could you give me an average installation and service charge on your non-certificated local alarm systems?

Mr. Conkling: I object to the form of the question. [fol. 6799] The witness has testified, I think, quite carefully not about averages but what his charges are.

By Mr. Levy:

Q. Could you answer my question, sir?

Mr. Levy: Could you read back the question?

(Whereupon the question was read by the Reporter.)

By the Witness:

A. I charge the same for a non-certificated job as I do for a certificated job. In other words, I don't cut corners. Every job that I figure and do, I try to put it in so it passes the Underwriters.

* * * * * * *

[fol. 6800] Q. (Continuing)—what range would your central station installations run into?

A. I don't—my installation prices run about the same, I think.

Q. For both central office and local?

A. Yes; because there again I do the job even though it is approved or unapproved, I put it in like it is supposed to be put in, the way I feel it should be put in.

* * * * * * *

[fol. 6801] Q. I believe you testified on your direct examination by Mr. Conkling that you did not recall any [fols. 6802-6805] subscriber who utilized at one time central station service and changed to local alarm service. Is that correct, sir?

A. That is correct, I don't think I had anybody change.

Q. And similarly, you had no changes, to the best of your knowledge, from local to central station service. Is that correct, sir?

A. That is correct.

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[fol. 6806] Q. Can you explain to me, Mr. Kusta, the reasons why you do not sell the alarm systems outright to your subscribers?

[fol. 6807] A. Well, first of all, there are very few times that it ever came up. The reason why if it did come up I would use this, it would have to be maintained and serviced.

Q. I am not asking you if it did come up. I am asking your reasons for refusing.

A. Because I feel that a burglar alarm has to be serviced and maintained and I watch over it so that——

Q. Could a burglar alarm be serviced and maintained if the subscriber owned the system?

A. By himself?

Q. No, by a company——

A. I imagine—I think you can patch it up if he seen where the trouble was.

Q. I am speaking of being serviced and maintained by a company whose business it is to service and maintain burglar alarm services.

A. They could keep it working.

Q. Does the fact that your company retains title to the alarm systems which are installed on the subscriber's premises give you a hold on that subscriber in any way?

A. Not in my case. I don't see that I—I don't see that I am holding him in any way because of my [fols. 6808-6809] equipment.

Q. I am not saying that you are holding him, but does the fact that your company retains title to the equipment tie that subscriber to your company's service?

A. The equipment belongs to me and I service it and I maintain it for them. I don't say that I have them over the barrel in any way.

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[fol. 6810] Q. What is the radius in which you provide central office service from your central station in Gary?

A. Oh, I'd say two miles. Two miles.

Q. A two-mile radius?

A. On——

Q. In a circle emanating from your——

A. And then we go out 15 miles on our local alarms that trip in our office, direct wires.

Q. But on your purely central station service?

A. About two or three miles.

Q. Up until six months ago, did you consider ADT to be a competitor of yours?

A. Well, I knew that they were in the burglar alarm business. I never really thought of them as being a [fol. 6811] competitor.

Q. Because they did not operate in the areas in which you operate?

A. Well, they came out there. Naturally, they are installing jobs and they are competitors.

Q. Did they get a different type of business that you were unable to obtain?

A. No. It seemed the same to me.

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[fol. 6812] Q. Have you knowingly ever submitted a bid in competition with ADT?

A. Not knowingly. I imagine I ran across it a few times but I don't know. I have never seen it.

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[fol. 6813] IN THE UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT W10a

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION, AMERICAN DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE COMPANY AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

Pursuant to notice, deposition of ERIC DAVID, taken on Monday, October 16, 1961, at 2:45 o'clock p.m., Daylight Saving Time, at 629 Title Building, Baltimore, Maryland, before Andrew A. Castiglione, Notary Public.

* * * * * * *

[fol. 6814] Examination by Mr. Williams:

Q. Mr. David, can I have your full name, please?
A. Eric David.
Q. Where do you live?
A. 5113 Laurel Avenue.
Q. Baltimore?
A. Baltimore.
Q. Are you connected with any company that furnishes any type of alarm service?
A. Yes.
[fol. 6815] Q. And what is the name of that company, sir?
A. Tattle-Tale Alarms.
Q. Is that a corporation?
A. No, it's a trade style. The corporation is Arrow Metals Manufacturing Corporation.
Q. And where is that located?
A. 118 North Patterson Park Avenue.

Q. In this city?
A. Yes, Baltimore.
Q. You say that Tattle-Tale is the trade style?
A. Yes.
Q. Is it registered or unregistered?
A. Unregistered.
Q. What type of business is Arrow in?
A. Metal awnings, sidings and so forth.
Q. And Tattle-Tale is a division of that?
A. Right.
Q. Of that corporation?
A. That's right.
Q. How long has the Tattle-Tale portion of the business been in existence?
[fol. 6816] A. You mean when we first had the idea or when we first actually started selling?
Q. When you actually started.
A. Actually started? I think about February or March of this year.
Q. And when did you first have the idea?
A. Oh, about six months before that.
Q. Now, what type of business is Tattle-Tale in?
A. What we do, we sell burglar and fire alarms. We lease them on a monthly basis; that's about all.
Q. Now, what type of alarms are these? Are they what are commonly called local alarms?
A. We have local alarms and central station alarms.
Q. Now——
A. We have fire alarms.
Q. Would you describe to us how your local alarm operates, what type of system it is?
A. Well, for whom it's manufactured or——
Q. Yes, that, and how it operates, generally.
A. As far as the glass surface is concerned, you put tape on the glass and then wire windows and doors, all [fol. 6817] openings, and just in case that these openings are tampered with, an alarm goes off, and the local alarm, it rings a bell outside the premises; in the central service, it rings in the central station.
Q. Does Tattle-Tale have a central station?
A. Yes.
Q. Where is that located?

A. 318 Mathieson Building.

Q. How is the alarm on the premises connected to the central station?

A. By way of telephone wire, leased telephone wire.

Q. You lease those from the Chesapeake Telephone Company?

A. From the Telephone Company, that's correct.

Q. How many employees does Tattle-Tale have?

A. Actually, one; that's me. I mean I don't install them, but I sell them. We're just getting started, organized.

Q. Now, from whom do you purchase your alarm devices?

A. I buy it from Alarm Device Manufacturing Company.

Q. That's in Brooklyn?

[fol. 6818] A. Yes, in Brooklyn.

Q. Ademco?

A. Ademco, yes. Do you want to know the address?

Q. No, that's all right. Do you purchase both your local alarm equipment and your central station equipment from Ademco?

A. Yes, and then sometimes I buy from A. W. Fruh in Chicago.

Q. How many local alarm systems do you have installed at the present time?

A. Local, only six.

Q. Are those all burglar alarms?

A. Yes, all burglar alarms.

Q. How many central station alarms do you have?

A. Three.

Q. Are those all burglar alarms?

A. No, there's two burglar and one fire.

Q. What type of fire alarm system is it, sir?

A. Well, the fire alarm system is from A. W. Fruh and the detector from Fire-Lite, Incorporated, in New Haven, Connecticut.

[fol. 6819] Q. Is that what is commonly called a fixed temperature type of detector, a thermostat?

A. Yes, it's a thermostat, but it's a fixed temperature and rate of rise.

Q. At the time that you started this business—that was approximately in February, did you say, of this year?

A. It could be a month earlier, when we first started.

Q. —did you start with both local and central station operations?

A. No. I learned about the central station later.

Q. How long after you started with your local alarms did you start offering central station service?

A. Well, central station, I would say about in April.

Q. That would be two to three months after you started furnishing local alarms?

A. That's right.

Q. Do you have any background or experience in the alarm business, sir?

[fol. 6820] A. No.

Q. Do you have any other persons in the business with you who do have such experience?

A. No. I learned it all myself.

Q. Would you describe to us the physical setup of your central station, what it consists of?

A. Well, the telephone wire that we lease from the Telephone Company, one end is going to the control panel that's on the premises of the subscriber and the other wire terminates in the central station where we have an alarm box, so to speak, that just in case if anybody tampers with the openings or breaks a glass, instead of having the bell ring on the premises, it rings in our central station.

Q. Do you have somebody there 24 hours a day?

A. Yes.

Q. Who?

A. Well, I made arrangements with a telephone answering service.

Q. I see. In other words, your receiving equipment is on the premises of the telephone answering service?

A. Answering service, that's right.

[fol. 6821] Q. And what action is taken if a signal is received there?

A. If a signal is received, then we call the Police Department, if it's a burglary, and if it's a fire, we call the Fire Department. There's one central station I have for

fire that is up in a different address, if you want to know that.

Q. Yes, please.

A. That's Glengyle Avenue, 4010 Glengyle; that's for the fire alarm, fire alarm central station box.

Q. And is that also in the premises of a telephone answering service?

A. Answering service, that's right.

Q. Now, you say you lease lines from the Chesapeake Telephone Company?

A. Yes, sir.

Q. Have you had any difficulty in obtaining leased lines?

A. If you need a certificate—I wouldn't say difficult. It wasn't easy. It took a long time, several weeks.

[fol. 6822] Q. Do you supervise the leased lines with a continuous current to make sure that they are all right?

A. It's battery operated, yes, sir, DC.

Q. Is there any other type of electric protection that Tattle-Tale furnishes, besides that which you have already described?

A. No, not at this time.

Q. How did you get the idea for central station protection?

A. Well, the central station, one of the reasons, to get off just one minute exactly on your question, is that this business we ran, it's very seasonal and not just——

Q. You're talking about Arrow, now?

A. Yes. Then I looked around to get into something that's more permanent, with all year around, and then I found, I stumbled across this business as being very profitable and all year around, and then into the central station, I learned all this by calling on customers. Actually, I learned it from customers, and then I looked into it further, Ademco, and that's——

Q. Have the number of subscribers to both local and [fol. 6823] central station service increased steadily since you first started?

A. At a very small pace, yes.

Q. Do you expect them to increase further?

A. Oh, yes.

Q. Now, what are the terms under which you rent or lease your burglar alarm and fire alarm equipment?

A. I have an installation charge and a monthly charge.

Q. What is the installation charge based on, say in burglary? I mean what factors do you take into account?

A. The factor I take into consideration is openings—you want to know exactly how I figure?

Q. No, just in general.

A. I figure so many openings plus a panel. I have a pretty set policy of how I charge customers.

Q. That's on a local system?

A. That's a local system, and the same way in a central station.

Q. Well, in a central station system, do you also have to take into account the rental charge for the leased lines? [fol. 6824] A. Yes.

Q. Now, that's the installation charge. Now, how do you figure your monthly service charge on both local and central station?

A. I figure the amount of openings, as far as the local station is concerned. The central station, I figure on the amount of openings that have to be protected plus the cost of the leasing of the wire.

Q. That's for the installation charge, now, right?

A. For the installation charge, on the same basis I first mentioned, so much per openings and then I add on $25 for the hookup of the telephone line. It's only $25 difference between a telephone line hookup and a local station.

Q. That's the installation?

A. The installation, yes.

Q. How do you figure your monthly service charges or rental charges?

A. The monthly service charge is also based on the number of openings, as far as when it's a local, and if it's a central station, the number of openings plus the lease [fol. 6825] of the telephone wire.

Q. Do you have a written agreement that you enter into with your subscribers?

A. Yes.

Q. Do you have a copy of that with you today?

A. I don't have one with me.

Q. Suppose you tell us something, in general, about the terms of that agreement; for example, for how long a period is it?

A. The agreement is for a period of five years with automatic renewal on a yearly basis, and then in case a customer would go out of business or for any reason whatsoever, he could cancel on a 30-day notice.

Q. And, in this agreement, does Tattle-Tale retain ownership of the alarm devices that are installed on the subscriber's premises?

A. Yes.

Q. Have you seen any other contracts that are used by other persons who furnish central station and local protection service?

A. Yes.

[fol. 6826] Q. Is your contract patterned after theirs?

A. Yes, it's copied, in other words.

Q. From whom in particular?

A. N.P.C.

Q. That's National Protective Company?

A. Yes.

Q. Does the telephone answering service have a direct line to the Police Department?

A. No.

Q. They are just called, as anyone else would?

A. Yes.

Q. Do they also notify the subscriber?

A. Yes.

Q. And do they notify you?

A. Designated person. Yes, I'm notified. Either I, or I have someone that would go out; but I have not had a burglary so far in my installations.

Q. What type of equipment do you place in the telephone answering service premises? Is there a drop panel of some type?

A. No, it's a control box. The control box has five sta-

[fol. 6827] tions in it. In case an alarm occurs, the buzzer sounds and then the operator pushes a button that silences the buzzer, and then when the circuit is—and the light still burns, but when the circuit is restored, then the light goes out and it functions again as it did in the beginning.

Q. You said you had three central station subscribers at the present time?

A. At the present time.

Q. Two fire and one burglar?

A. One fire and two burglar.

Q. One fire and two burglar, and how many local subscribers are there?

A. Six.

Q. You said that you learned about or heard about the central station business from prospective customers; is that right?

A. Yes—I mean that's true.

Q. What did they tell you about it?

A. They asked me what central station, whether we have central station, and then I called Ademco and got all the [fol. 6828] information. As a matter of fact, I went to New York and they explained me the whole thing and then I bought this type of equipment. Then I talked to about half a dozen other manufacturers and I got all the information.

Q. Do you remember the names of the other manufacturers you spoke to?

A. Yes, I talked to Fire-Lite. I bought some equipment from them, which I installed in homes, fire protection devices. I was two days up there. Then I talked extensively over the phone—I wasn't there in person—with A. W. Fruh in Chicago, and then in New York I talked to International Protection Corporation, it's on Broadway, I don't know exactly the address, and then I was at Edwards, Norwalk, Connecticut. I talked to someone in Philadelphia, but I can't recall the company's name, now.

Q. Could you estimate approximately how much money you have invested in the burglar and fire alarm part of your business since you have started?

A. I have about a thousand dollars in it, in parts that I stock.

[fol. 6829] Q. Have you looked into the question of obtaining any type of approval from either Underwriters Laboratories——

A. Yes.

Q. —or any other insurance inspection or rating organization?

A. Yes, I'm working on that now.

Q. What have you done about that?

A. Well, I wrote and talked to Underwriters in New York. As a matter of fact, I just ordered some equipment

Underwriters approved, to get insurance consideration for it. I'm just looking for some customers now to get this installation in, to get this type of equipment Underwriters approved installed.

Q. Have you spoken to Underwriters about any phase of your central station business?

A. No, it was only for local. Mr. Gallagher it was I talked to in Underwriters.

Q. Have you spoken to any other insurance inspection bureau or insurance rating bureau?

A. Yes. Right now, I just talked to Factory Mutual, but it's just in the stage of—I have a job pending there [fol. 6830] and it depends on their approval, and Fire-Lite has equipment that is approved and that's how I have this in process right now.

Q. Is that going to be a local or central station job?

A. It's going to be a local.

Q. Have any of your customers spoken to you about the possibility of obtaining insurance premium discounts because of the installation of alarm equipment?

A. Yes.

Q. What have you told them?

A. Well, in most cases, it was smaller companies, where it wasn't very much of saving involved that could possibly be obtained, and now I have a large manufacturing company that is considering it and that is the reason why I tried to get Factory Mutual and Underwriters, as a result of this request.

Q. Have you spoken to any local insurance rating bureau, that operates in the City of Baltimore?

A. Yes, I went to a local office here who gives the ratings on the buildings. I wanted to find out just actually whether [fol. 6831] there is, to establish some kind of base to know what the savings would be involved, in case a customer would request an Underwriters' approved installation or Factory Mutual.

Q. And did you get that information?

A. Well, I couldn't get any concise information that I thought I could get.

Q. Do you know the name of the organization to which you spoke?

A. Well, it's a rating bureau, Baltimore Rating Bureau.

Q. Are you familiar with the Underwriters Laboratory standards for central station protection?

A. Yes.

Q. In what area does your company operate, geographically, within the City Limits of Baltimore?

A. Baltimore and surrounding area.

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[fol. 6832] Q. Well, the subscribers that you presently have, what type of premises are you protecting, in general?

A. Six of them, all the locals, are stores.

Q. Local merchants?

A. Local merchants, yes, and the fire alarm is a manufacturing company. One central station is an office building and the other central station is a trucking company.

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[fol. 6833] Q. But, once you found the companies, did you have any difficulty in obtaining the equipment?

A. No, no problem.

Q. Do you know whether there are any other companies in Baltimore that are furnishing local burglar alarm service?

A. Yes, there are several of them.

Q. Do you know the identities of any of them?

A. Yes.

Q. Would you give us the names, to the best of your recollection?

A. Yes. National Protective Corporation, known as N.P.C., and A.D.T. On Greenmount Avenue there's a lock and safe company, I don't know the exact name. Mr. Block is another one, but I don't know the name of his company. Those are about the only ones I know.

Q. Those are companies furnishing local alarms?

[fol. 6834] A. Local alarms.

Q. What companies in Baltimore, if you know, are furnishing central station service protection, besides yours?

A. To my knowledgee, only A.D.T. and National Protective Corporation.

Q. Do those two companies furnish the same type of central station service that you furnish, if you know?

A. When you refer to type—I know they don't have a telephone answering service. They have, probably, their own, I assume.

Q. But they furnish—

A. But, otherwise, the central station setup may be the same.

Q. In other words, the alarm on the premises is silent and the signal is transmitted to another——

A. I assume. I don't know anything about the operation, actually.

Q. When you have a prospective customer, do you go out to his premises and make an inspection of the premises to determine the amount of protection that is [fol. 6835] needed?

A. Yes, sir.

Q. And, by that, you observe the number of openings and other areas that you're going to have to protect?

A. Yes, sir.

Q. What equipment do you use for protection on a premises, besides window foil? Are there other devices that you utilize?

A. Yes.

Q. What are they?

A. Invisible beam and magnetic fields around a safe or file, filing cabinet. Do you want me to mention all these different devices?

Q. Yes, please.

A. The magnetic device for the doors. Then you have so-called traps.

Q. Floor traps?

A. Floor traps, window traps, and then we have buttons, concealed buttons.

Q. Are those for holdup alarm purposes?

A. No, they are concealed right behind the door.

[fol. 6836] Q. And how do those operate, sir?

A. Well, when the door opens, the button opens up and it closes a circuit and it sounds the alarm. Then we have F springs for windows, mercury switches, floor mats, electronic floor mats; when you step on it, you initiate an alarm.

Q. And you're capable of utilizing all these devices?

A. Yes, sir.

Q. Both in your local and central station type of service?

A. Yes, sir.

Q. On the basis of the number of customers that you have now, what would you estimate your annual gross to be on your alarm business?

A. Well, I couldn't estimate it. I'm just more or less trying to learn everything myself, and once I know everything there is to know, of course, you can always learn more, but I'm just laying down a basis of getting the thing going.

Q. In other words, you feel you don't have sufficient [fol. 6837] experience with the business now to be able to make some sort of estimate?

A. Right now, yes, I think I do, but what I'll be capable of doing or be able to do, I can't estimate it.

Q. Is it your opinion at this time that this business will grow?

A. Are you talking about business, in general, or my——

Q. Your business.

A. Oh, yes, I definitely think so.

Q. Do you think you have available markets here in the City of Baltimore for your services?

A. Yes, definitely.

Q. Now, you say you are running this business pretty much yourself; is that right?

A. That's right.

Q. Do you employ people who do the actual installation?

A. Yes.

Q. And what type of people do that?

A. Well, they are experienced in installation.

[fol. 6838] Q. How do you find such people?

A. Well, I had a—oh, as a matter of fact, this party contacted me after I was listed in the telephone book. I was looking for someone. I have two. One of them is very experienced. He worked for a local company for quite some time, and the other one, we're just learning together. He does a pretty good job.

Q. Are these two people full-time employees?

A. No.

Q. In other words, you call them as you need them to make an installation for you?

A. Yes, that's right.

Q. And they do the installation on the subscriber's premises; is that right?

A. That's correct.

Q. Who makes the connections at the telephone answering company?

A. The same people.

Q. The same ones?

A. Yes.

Q. Since you've been in the alarm business, have you [fol. 6839] had any direct competition with any other companies in Baltimore that are furnishing the same type of service that you do?

A. Yes.

Q. What companies are those?

A. N.P.C. and A.D.T.

Q. Do you know whether you have quoted on the same jobs that either one of these two companies was also quoting on?

A. Yes.

Q. Do you have any specific instance in mind?

A. Yes, I would say most of the installation work were competitively bid on.

Q. Both N.P.C. and A.D.T.?

A. Yes.

Q. And have you obtained any of that business?

A. I believe I got one out of the total.

Q. Which one would that be, sir?

A. The name of the company, you mean?

Q. Yes.

A. That would be Baltimore Expressway.

[fol. 6840] Q. Is that a trucking company?

A. Trucking company.

Q. And when did you obtain that customer?

A. About two months ago.

Q. Did you know at the time that you were bidding against A.D.T. and N.P.C.?

A. Well, he indicated during the conversation, but I have no definite proof.

Q. Who was that, by the way?

A. Mr. Harrell, He's the President of the company.

Q. Harrell?

A. Harrell, H-a-r-r-e-l-l. He's on Benson Avenue, B-e-n-s-o-n.

Q. Now, that's one that you got. Could you make an estimate for us of the approximate total number that you bid on in competition with N.P.C. or A.D.T., or either one of them, just roughly?

A. How many?

Q. Yes, just a rough idea.

A. About five, six, I believe. I'm not quite sure.

Q. And that would be approximately since April of [fol. 6841] this year?

A. Yes.

Q. Now, are you also in competition with other companies that furnish local alarm services?

A. Only N.P.C. or A.D.T. That's the only one I ever noticed any competition.

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[fol. 6842] Q. This telephone answering service has somebody in there 24 hours a day; is that right?

A. Yes, sir.

Q. And do those persons have specific instructions from you as to what to do when an alarm signal is received?

A. Yes.

Q. You say they have not as yet received an alarm signal?

[fol. 6843] A. In general. I mean we had some false alarms, but we didn't have ——

Q. Did you find out what caused the false alarms?

A. Yes.

Q. Was it something to do with the mechanical installation itself?

A. In most cases, the customer didn't know, forgot to turn the key, and that sort of thing.

Q. Am I correct in assuming that at the present time none of your burglary installations, that you have put in, have an Underwriters Laboratory certificate?

A. No, none, no, sir. I'm not approved by Underwriters.

Q. Are you going to seek such approval?

A. Yes, I'm seeking such approval.

Q. And you have spoken to Underwriters Laboratories about the mechanics of becoming approved?

A. Yes, that's in the making now.

Q. Did you get an indication from Underwriters Laboratories of approximately how expensive it would be to obtain certification?

[fol. 6844] A. Yes, sir.

Q. And approximately how much was it?

A. It's approximately $360, then on a yearly basis, they anticipate on how much business you have and they charge a dollar for each certificate.

Q. And does that charge also include the inspection they make of your operations?

A. Yes. That's for local only.

Q. Yes. Now, what about central station?

A. Well, I mean I'm not ready to tackle that. Maybe that's at a later date, because I can't meet the specifications.

Q. What are the specifications for Underwriters' approval on central stations?

A. Well, you have to have your own people there, I understand, at least that much; that you have to have your own personnel rather than a telephone answering service, and that I can't afford at this time.

Q. Do you think you will be ultimately able to reach that stage?

A. I'll try to.

* * * * * * *

[fol. 6845] Q. Does your installation charge cover the cost of equipment that you have to install on the premises plus the labor that is necessary to install that equipment plus some overhead charge, roughly?

A. Sometimes it does; not all the time.

Q. When doesn't it?

A. Well, I mean this is one of the reasons why I'm soliciting new business from subscribers, under competition, because in order for competition to keep me out, a lot of times they're doing it for practically nothing, and I can't work for nothing; in other words, I've had occasions where my price was a reasonable price, I believe, in having a policy, and just to keep me out, they're just charging nothing for installation. Naturally, I can't.

[fol. 6846] Q. Who are "they"?

A. Well, in one particular case, I know it was N.P.C.

They're doing it in most cases. I've never heard of A.D.T. doing it.

Q. Do you ever allow your subscribers to pay for their installation charge over a period of time, or do you get it in one lump sum?

A. No, sometimes over a period of time.

Q. Is it your normal practice to get it in a single payment?

A. After the completion of an installation, that's right.

Q. And if they do have to pay it over a period of time, what general period of time do you allow?

A. Three payments.

Q. Monthly?

A. Three months, yes.

Q. Is that a common request?

A. Well, I only do it if I have to.

Q. In other words, in order to get the job?

A. To get the job.

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[fol. 6847] Examination by Mr. Story:

Q. Does A.D.T. engage in the local alarm business within the City of Baltimore?

A. Yes, sir, to my knowledge.

Q. Do you know of any actual local alarm installations which they have in the City of Baltimore?

A. It's generally known that they have quite a few, but I don't know any specific ones.

Q. In these instances where you say you bid against A.D.T. and N.P.C., were those for local alarms or central station alarm accounts?

A. Both.

Q. Both?

A. Local and central station.

Q. How many central station type of alarms have you bid against A.D.T., in all?

A. Well, I couldn't single them out, A.D.T., but in general competition, I would say about ten, ten to fifteen.

Q. And these were on a central station type of [fols. 6848-6849] project?

A. Well, a lot of times the customers don't know themselves whether they want central station or local. So, you

have to convince them which is best for them. So, I couldn't say specifically which is which.

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[fol. 6850] Q. Now, you mentioned a while ago that you had talked to Underwriters Laboratory about getting approval for your telephone answering service accounts?

A. No, for local only.

Q. For local?

A. Local only.

Q. Have you discussed with any insurance rating bureau the possibility of getting your telephone answering service approved?

A. Yes, I went here to the local Rating Bureau, but for fire, that's the only way you can get it here in Baltimore, and the regulations are so stiff, I couldn't—you have to have a fireproof building, two lines to the Fire Department and all the other specifications. We have to have two people in the premises 24 hours a day. I mean I couldn't [fol. 6851] do that, that's impossible.

Q. In other words, it's not possible for you to get approval, as long as you use a telephone answering service?

A. Telephone answering, plus I have to have a fireproof building and I have to have two people there, I understand, 24 hours a day and then the two telephone lines. Well, that wouldn't be any problem, but you have to have a fireproof building and you have to have two people there 24 hours a day, seven days a week, and for a small operator, that's impossible.

Q. What would that be called? Would that be called a telephone answering service or central station?

A. Well, that would be called your own central station that's approved by Underwriters to entitle the customer, the subscriber, for insurance reduction.

Q. So, my question is, is it possible, as long as you utilize the telephone answering service, to get approval from any of the insurance organizations?

A. No, sir.

* * * * * * *

[fol. 6852] Q. You mentioned that you had bid on some occasions against A.D.T. and National Protective Corporation. Did the fact that you could not provide accredited or approved service cause you to lose any of these accounts, that you know of?

A. I could think of one occasion where the customer requested—a chain store, he had three stores and there was a saving involved if they would have gotten, if I could have furnished a certificate from Underwriters, and I couldn't, and I lost it.

Q. You lost it because of that reason?

A. Yes, but that was only once, as far as I can recall.

Q. That would have been a big account, would it not, a chain store?

A. Yes, three stores.

Q. On these instances where A.D.T. was bidding against you, were any of those instances on strictly a local burglar alarm account?

A. Well, it was a local and central station.

Q. What do you mean by that, sir?

[fols. 6853-6855] A. Well, in other words, as I mentioned before, sometimes people don't know what they want. You have to just sell it to them or suggest what is the best for them, and, naturally, you try to get the central station because it's a higher priced installation or rental, lease-wise. I know of cases where I couldn't get the order because I just didn't get. I think my price was right, but—well, other reasons.

Q. Well, what other reasons?

A. Well, new in business and cutting the price, but A.D.T. doesn't do it, but I know N.P.C. did. I know of once instance he gave it to the man for nothing, just to keep me out.

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[fols. 6856-6860] Q. Do you know whether there are any other companies in Baltimore that are furnishing central station service of the type that you are, by means of telephone answering service?

A. No. The only one that I know is A.D.T. and N.P.C. I don't know of any other. I mean they are the major competitors. I never run into anybody else.

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[fols. 6861-6862] IN UNITED STATES DISTRICT COURT

DEFENDENTS' EXHIBIT W11a

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION, et al., Defendants

Deposition of ROY VAN WAGNER, taken as if under direct examination before Donald S. Mehler, a Notary Public, within and for the State of Ohio, at the offices of Gongwer, Murray & Brown, 70 Park Avenue West, Mansfield, Ohio, at 10:00 A.M., Friday, June 14, 1963, pursuant to notice and stipulations of counsel, on behalf of Defendant American District Telegraph, Holmes Electric Protective Company, and Automatic Fire Alarm Company of Delaware in this cause.

[fol. 6863] Direct Examination of Roy Van Wagner.

By Mr. Williams:

Q. Can we have your full name, sir?
A. Roy Van Wagner.
Q. And your home address?
A. 14 East Jefferson Avenue, Shelby.
Q. Are you connected with the Autocall Company, sir?
A. Yes. I am president.
Q. How long have you been president, sir?
A. Four years.
Q. Prior to that time did you hold any office in the company?
A. Vice president and treasurer.
Q. For how long did you hold that position, sir?
A. Well, that's difficult. I have been with the Autocall Company for 45 years in various capacities, but for a

[fol. 6864] number of years prior to four years ago I was vice president and treasurer.

Q. How long, to your knowledge, has the Autocall Company been in existence, sir?

A. 50—let's see—45—no, 55 years, that is right.

Q. What is the principal business of the company at the present time?

A. Roughly described as electrical signaling equipment.

Q. And more precisely described?

A. Paging equipment and protective signaling equipment.

Q. What proportion, approximately, of this business consists of paging equipment?

A. Perhaps about 1/6th or 1/5th.

Q. Between fifteen and twenty per cent, approximately?

A. Something like that.

Q. And the remainder of its business, then, consists in the manufacture of electric protective equipment?

A. Most of it, yes.

Q. What types of electric protective equipment does the company manufacture?

A. Fire alarm equipment, waterflow alarm equipment, sprinkler supervisory equipment, watch patrol equipment, and equipment for the protection and supervision of certain electric generating station functions.

Q. Does the company manufacture any equipment de-
[fol. 6865] signed to detect the intrusion of burglary?

A. No.

Q. Is this protective equipment that is manufactured designed for use in proprietary alarm systems?

A. Yes.

Q. Is that its sole type of use?

A. "Proprietary" is an insurance term. We sell other protective equipment that comes under other classifications, such as local.

Q. Local?

A. Local.

Q. Are there any other classifications of equipment that you sell besides that?

A. Some that we classify as wholesale.

Q. Would you describe that, sir?

A. Sales to other manufacturers.

Q. Do you manufacture any equipment that is used in remote station type alarm systems?

A. Some.

Q. Is the greater proportion of all your alarm equipment used in proprietary systems?

A. Now, wait a minute. I do not think that the greater proportion is. I am trying to remember the appearance of our salesmen's statement, and I think proprietary equipment is about a sixth.

[fol. 6866] Q. How is the remainder broken down, approximately?

A. Well, I can't answer that offhand.

Q. Do you have a substantial proportion of your sales consisting of remote station type of equipment?

A. No, not yet.

Q. Is that increasing?

A. We hope that it will increase.

Q. Does a substantial proportion consist of local type alarm equipment?

A. A fairly substantial portion, yes.

Q. On this local type equipment, what type of service is it generally? By that I mean is it waterflow alarm equipment or some other type?

A. Waterflow alarm, fire alarm.

Q. Supervisory equipment, sprinkler supervision?

A. Only waterflow alarm. When you get into sprinkler supervision, you get into the proprietary classification.

* * * * * * *

[fol. 6867] Q. In the proprietary field, sir, what other [fol. 6868] companies do you know of that produce the similar types of equipment that you manufacture in the United States?

A. Well, the Edwards Company to some extent, Minneapolis-Honeywell Company and Sperti-Faraday, Standard Electric Time Company, the Auth Company, also the Notifier Company. There are a number of others. I cannot recall all of them.

Q. These are the principal ones, however?

A. These are the principal ones.

Q. These companies are competitors of yours in the proprietary signaling field?

A. That is right.

Q. What companies are there, sir, that you know of that produce equipment similar to that used in your local type installations?

A. Many. I could not begin to name them. There are just many.

Q. Could you just give us a few representative names?

A. Notifier, Auth, Simplex, Standard Electric Time. There are others that I just cannot recall.

Q. There are a large number, however?

A. A large number.

Q. Could you similarly recall the names of any companies that produce equipment or systems similar to your remote station type equipment?

[fol. 6869] A. No, offhand I cannot. The A.D.T. Company provides similar services, but I do not know that the equipment is similar.

Q. Just to be sure that we are talking about the same thing, I mean by "remote station," the term "remote station," a protective signaling system which is connected by leased telephone lines between a protected premises directly to a fire headquarters.

A. That is right.

Q. Is it the custom or policy in your company, sir, to sell your equipment outright to the end user?

A. That is right.

Q. Is this almost invariably the case?

A. Almost invariably.

Q. Does your company enter into agreements for the maintenance and service of this sold equipment?

A. With very few exceptions, no.

Q. In other words, then, once the purchaser has taken possession and title of the equipment, it is his responsibility to maintain it?

A. That is right.

Q. In what instances does your company continue to maintain and service equipment; under what type of circumstances?

A. We have only one instance of that currently. That is [fol. 6870] the Wilkins Air Force people in Shelby.

Q. What is the situation there?

A. We have a contract with them under which we supply

certain equipment that they purchased. Then the contract also provides for monthly inspection and servicing.

Q. I will use the term "fire alarm equipment" as a generic term covering both fire alarm and waterflow and similar type equipment. Is the equipment that is manufactured by your company approved by any insurance rating or inspection organization?

A. Underwriters and Factory Mutuals.

Q. Is it approved in any way by F.I.A., Factory Insurance Association?

A. I do not recall that we have formal approval with that organization.

Q. Is this all of your fire alarm equipment that is approved by Underwriters and Factory Mutuals?

A. That is right.

Q. Do you also produce a line of manual fire alarm boxes, that is, manually operated alarm boxes?

A. Yes, yes.

Q. Are these generally used also in conjunction with automatic fire alarm systems?

A. At times, yes.

Q. And with waterflow alarm systems?

[fol. 6871] A. Yes.

Q. On the proprietary equipment that your firm manufactures, sir, is all this made to order for a specific job?

A. The systems are tailored to meet the requirements of the customer. We use devices that are fairly standard with us. Sometimes we build devices especially adapted to customer needs.

Q. Would that also be true of the central control console on a proprietary system?

A. That is right.

Q. That would be tailored to a specific installation?

A. It is more or less standard, but we do make minor modifications if the customer needs it.

Q. And, of course, it would vary in size?

A. That's right.

Q. Depending upon the extent of the installation?

A. That is right.

Q. To what type of customers, sir, do you sell what you call a local alarm system?

A. Schools, industrial establishments, retail establish-

ments. I would have difficulty in trying to think of all the various types of businesses that would have need for and buy fire alarm equipment from us.

Q. Do you sell this local equipment throughout the United States?

[fol. 6872] A. Yes.

Q. Is that true also of the remote station equipment systems?

A. To a limited extent, yes. That is a relatively new field that we are exploring.

Q. Approximately how long have you been in this remote station field?

A. I am obligated to tell the whole truth, and I have to guess a little bit here. I would say four or five, six years, perhaps.

Q. This is a developing line of business with your company?

A. That is right.

Q. Now, with regard to proprietary signaling systems, to what type of customer are these generally sold?

A. Manufacturing establishments and larger retail establishments that have warehouses to protect and so on, such as Sears, Roebuck.

Q. Are these sales also made generally throughout the United States?

A. Yes.

Q. Are they made to companies that are located in large metropolitan areas, that have locations in large cities?

A. Yes, but not exclusively.

Q. No, I understand that. But some of them are sold?

[fol. 6873] A. Yes.

Q. In the past five years, sir, has your company, in attempting to sell proprietary signaling systems, been in competition with any company that is engaged in furnishing central station protective service?

A. Yes.

Q. What companies, if any?

A. A.D.T.

Q. Has this been generally true throughout the United States?

A. Yes. We have A.D.T. competition in larger areas, metropolitan areas.

Q. Does this competition also exist in the attempted sale by your company of local alarm systems?

A. With A.D.T. I am not so sure. I will have to give you a qualified answer on that. I am not so sure that we experience A.D.T. competition in the sale of local systems.

Q. Do you have any knowledge, sir, at the present time, of approximately how many occasions in the past five years your company has bid on a job in competition with American District Telegraph Company?

A. We do not keep records of such deals. We have notations in our file of cases where we have encountered A.D.T. and other competition, but that is not a fixed rou-
[fol. 6874] tine with us, to make a record of that.

Q. Have you had occasion to examine your company's files recently to see whether there have been such instances?

A. Yes.

Q. And did you find indications of competition between American District Telegraph Company and your company?

A. Yes.

Q. To the best of your knowledge, has this competition been increasing in the last five years?

A. I think so.

Q. Approximately how many proprietary systems would your company sell in an average year? Let's take the last year——

A. That is a question I cannot answer, because there is no standard against which to measure it. We will sell all that we can get orders for and have a capacity to turn out.

Q. Well, perhaps I could phrase the question a little differently. Do you know approximately how many systems you sold in the last year that you have some complete records on?

A. Sale of proprietary systems?

Q. Yes.

A. No. A dozen or 20, perhaps.

Q. What would you say, approximately, sir, was the
[fols. 6875-6877] revenue that your company received for the last complete year on the sale of proprietary equipment?

A. There is a question in my mind whether it is proper to disclose our sales figures.

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[fol. 6878] Q. You mentioned earlier that your company provides some type of watchman's supervision?

A. That is correct.

Q. What type of system is that, sir? What is it called?

A. Well, that is incorporated in our proprietary systems. It is a box similar to a fire alarm box, on which the watchman records by pulling a lever or turning a key, and the recording appears at the central location.

Q. Is this a coded signal of some type that is transmitted?

A. Coded signal.

Q. And is it permanently recorded at the central point?

A. Yes.

Q. By means of a tape printer or some similar type device?

A. Yes.

Q. To your knowledge, sir, has a proprietary system made by your company ever been used to replace a central station protection system that was installed by any other company?

A. Yes.

Q. Do you have any particular instance in mind, sir?

A. This goes back quite a number of years ago, that—in the automotive industry we replaced A.D.T. or similar [fol. 6879] service with proprietary equipment.

Q. Was this done on a significant number of locations?

A. It was fairly substantial.

Q. Was it a particular automobile company——

A. No.

Q. —or was it an industry-wide type of——

A. Throughout the industry.

Q. Were these with manufacturing plants?

A. Yes.

Q. Warehouses?

A. Yes.

Q. And parts depots and——

A. I think manufacturing plants and warehouses.

Q. Were they located generally throughout the United States?

A. Pretty largely.

Q. To your knowledge, are the proprietary systems presently in use?

A. To our knowledge they are.

Q. Do you know of any instances in which central station service has replaced Autocall proprietary systems?

A. I have no specific recollection, merely a general idea that we have had that happen.

Q. Has this happened in the recent past?

A. Not recently.

[fol. 6880] Q. Have you recently sold proprietary alarm systems to Sears, Roebuck and Company?

A. Yes.

Q. Have any of those ever been replaced by central station service, do you know?

A. I don't know.

Q. When you sold the systems to Sears, Roebuck and Company, were you replacing central station service that they then had?

A. I believe so, in some instances.

Q. Did your company affirmatively seek the approval of Underwriters Laboratories and Factory Mutuals for its equipment?

A. Yes.

Q. What was the purpose of that, sir? I mean, why did you want the approval?

A. It is a very necessary thing in the protective signaling industry.

Q. What is the reason for that, sir?

A. As a rule the customer does not want to install equipment that is not approved, and there are sometimes local requirements, municipal or state requirements, on which Underwriters approval has a bearing.

Q. Is this approval solely from the electrical safety point of view or is it from its approval as a piece of [fol. 6881] fire detection apparatus?

A. As a functioning system.

Q. Does the fact of approval have anything to do with the fire insurance that would be carried on the premises, protected premises?

A. If it does, it is minor.

Q. Does the installation of the system itself have any effect on the insurance premiums that are paid?

A. I would think so. I have no knowledge of it.

Q. Does your company maintain sales offices for its equipment throughout the United States?

A. We have sales offices in the principal cities of the United States.

Q. Approximately how many offices do you have, sir?

A. Approximately 20.

Q. Are they located in large metropolitan areas?

A. That is correct.

Q. They are staffed by employees of the company?

A. They are not classified as employees, no.

Q. I see. How are they classified?

A. They are commission men, and they are classified as independent operators.

Q. Do they devote their full efforts to the sale of Autocall equipment?

A. Most of them. There are some exceptions.

[fol. 6882] Q. Are they trained to be able to estimate the type of installation that would be needed in a particular premises?

A. That is correct.

Q. Are they trained in estimating the price that would be charged for that installation?

A. Oh, yes.

Q. Is it the headquarters in Shelby, however, that actually designs the particular equipment that will be installed on a given job?

A. That depends on the nature of the installation. We have an engineering department at Shelby that does contribute to the design and layout of these systems.

Q. And to that extent it assists your field representatives in designing a system for a particular customer?

A. That is right.

Q. Do you have technical personnel from Shelby who go out and set up the equipment on premises, or is that done through your local field offices?

A. We do not install generally.

Q. Who does the installation?

A. The customer in most instances. There are a few exceptions, but the customer as a rule.

Q. In other words, the customer will arrange for, say, an electrical contractor to actually do the physical [fol. 6883] installation?

A. That is right.

Q. Would your company, when necessary, provide technical assistance to the contractor or the customer?

A. We do.

Q. Is this a common occurrence?

A. Common.

Q. Does your company test the system out after it is installed to be sure it is operating properly?

A. Yes.

Q. And I think you said earlier that once the system is installed and tested, that it then becomes the responsibility of the owner to maintain it?

A. Yes.

Q. Do system owners seek continuing help from your company?

A. They do at irregular intervals.

Q. Do they order parts for replacement purposes?

A. Yes.

Q. Is it customary for them to have these parts installed either by themselves or by somebody of their own choosing, these replacement devices?

A. As a rule they select their electrical contractor.

Q. Do you sell any part of your alarm equipment to other companies that are engaged in furnishing some [fol. 6884] type of electric protective service?

A. Yes.

Q. What types of equipment do you sell?

A. Fire alarm boxes, sometime fire alarm panels.

Q. Do you sell waterflow devices?

A. Yes, but not to any great degree.

Q. Generally what type of purchaser are these devices sold to, these panels, boxes, and waterflow devices?

A. You want a name?

Q. Well, for an example, yes.

A. Simplex.

Q. What type of company is that, sir?

A. The Simplex——

The Witness: What is their name, anyway?

Mr. Smith: Simplex Time Company.

A. Simplex Time Corporation. They make time clocks and similar equipment and install fire alarm systems in locations where they also install their time equipment.

Q. Do you sell similar equipment to other companies that are engaged in the electrical alarm business?

A. At times. Not to any great extent.

Q. Does your company advertise its waterflow devices for sale to alarm companies?

A. No.

[fol. 6885] Q. Do you advertise them for sale generally?

A. Yes.

Q. In publications?

A. Yes.

Q. Do you advertise them for sale in the quarterly bulletin of the National Fire Protective Association?

A. I can't answer that, but I do not think that we advertise in that publication.

Q. Are there any publications that you can call to mind at the moment that you do advertise in, and I am speaking only for the sale of devices now, not systems as such?

A. There is another hard one. Architectural Record for one, and other names escape me at the moment.

Q. Do you ever sell alarm devices directly to electrical contractors?

A. Yes.

Q. Does this form a significant portion of your sales of such devices?

A. They buy, as a rule, for their customers, and the transaction is that we sell to the electrical contractor who is doing the installation, and he bills the entire job, then, to his customer.

Q. However, you sell a series of devices that when connected would form a complete system of one type or [fol. 6886] another?

A. That is correct.

Q. Have these sales generally taken place throughout the United States?

A. Yes.

Q. And in large metropolitan areas?

A. Yes.

* * * * * * *

Cross-examination of Roy Van Wagner.

By Mr. Story:

• • • • • • •

[fol. 6887] Q. Does your company engage in a service business, sir?

A. No, with one exception.

Q. Is that the Air Force base where you do have a service contract?

A. That is right.

Q. Is that the only contract that your company, the Autocall Company, or any subsidiaries thereof, have for the servicing and the maintenance of an alarm system?

A. At the present time.

Q. I think you said it was the Wilkins Air Force Base. How far is that from your office or your manufacturing place?

A. Three miles.

Q. What is the nearest approved central station to your office.

A. I do not know.

Q. Do you know whether there are any central sta-[fol. 6888] tions in the near vicinity of where your manufacturing company is?

A. I do not think so.

Q. What large cities, sir, would be near your office?

A. Cleveland.

Q. How far would Cleveland be from your office?

A. It is about 70 miles.

Q. Now, are there any other cities of 150,000 population within 100 miles of your office?

A. Columbus.

Q. How far away would that be, sir?

A. That is about 70 miles. Canton, Akron.

Q. How far is Canton from your office?

A. Well, Canton is 50 miles. Akron is 50 miles. Toledo is 80 miles.

Q. 80 miles to Toledo?

A. Yes.

Q. Can you name any other large cities within 100 miles of your office?

A. Well, those are the large ones that occur to me.

Q. So that your company is primarily a manufacturer and a seller of protection devices?

A. That is correct.

Q. Has your company ever been in the business of installing, servicing, or maintaining alarm systems?

[fol. 6889] A. To a limited extent a number of years ago.

Q. About how long ago, sir?

A. Oh, about 30, 25.

Q. Within the last 10 years has your company had more than one service and maintenance contract?

A. To my knowledge, no.

Q. Sir, does your company, the Autocall Company, have any approval from any of the insurance organizations having jurisdiction over protection services, any approval to conduct that type of service activity?

A. I do not think I quite understand your question, sir. Do you mean do we have Underwriters approval, for instance, for conducting rental service?

Q. That is right.

A. Not to my knowledge.

Q. Do you have any approval from Factory Mutuals to conduct a service activity, service and maintenance activity?

A. No.

Q. Do you have approval from the Ohio Inspection Bureau to conduct approved protection service business?

A. Yes. That applies to these systems that have connection with the city fire department. The Ohio Inspection Bureau approves those.

Q. What types of installations do you have there, sir?

[fol. 6890] A. I beg your pardon?

Q. I am talking about the Autocall Company. Do you have an approval to service and maintain these fire department connected alarms in the State of Ohio?

A. I think that "approval" should be qualified. The Ohio Inspection Bureau approves the installation of the equipment.

Q. Do you have approval to service and maintain those systems?

A. Not specifically, to my knowledge.

Q. What is the type of installation that you have installed in these fire department connections?

A. It would be a fire alarm system, probably a water-flow alarm and certain other hazards, and a connection to the fire department, where that permission can be obtained.

Q. Those types of installations, are they nursing homes or are they manufacturers or what?

A. They could be.

Q. Approximately how many such connections would you have in the State of Ohio, where you have approval to install, service, and maintain?

A. I am sorry, I cannot give you any estimate of the number of those. As I have previously said, it is a fairly recent venture with us, and I have no idea how many we [fol. 6891] have.

Q. Well, do you have servicing and maintenance contracts with the customers which you have installed your alarms on the premises, which you have installed your alarms and connected to the fire department?

A. No, with one or two exceptions.

Q. Well, how many exceptions?

A. Wilkins is one. There is a new one coming up in Shelby on which we will render service.

Q. Any others?

A. Not to my knowledge.

Q. Is it possible to get fire insurance rate discounts on any of the systems that your company has installed here in Ohio without having the approval of the Inspection Bureau for servicing and maintaining?

A. Well, that is a question for an insurance man to answer. I would think not.

Q. On those systems that you mentioned that you are installing here in Ohio that are connected to the fire department, do your own employees install those systems?

A. No.

Q. What approval does your company have, sir, other than the fact that it has approval for devices here in the State of Ohio?

[fol. 6892] A. Well, our devices, our equipment, are approved by the insurance authorities, such as Underwriters and Factory Mutuals, and the Ohio Inspection Bureau will approve specific installations.

Q. But those installations are not made by your employees?

A. That is correct.

Q. So the approval goes to the contractor or whoever installs the system, is that correct?

A. I think the purchaser obtains the approval, that it winds up with him.

Q. So in connection with these installations that you have connected to the fire department in Ohio, the only approval or recognition you have is the recognition for your equipment, which has been approved by the rating organizations?

Mr. Williams: I will object to the form of the question. I will allow the witness to answer.

Q. You may answer it, sir.

A. These approvals, as I understand this, require as one feature that inspections be rendered, services be rendered, but here again I am speaking by and large those are probably arranged for by the local contractor who installs the equipment.

Q. But your company does not have anything to do with [fol. 6893] that servicing or maintenance? You mentioned, sir, that in some instances you were in competition with A.D.T. What kind of competition were you in with A.D.T.?

Mr. Williams: I will object to the form of the question.

Q. You may answer.

A. Am I to answer?

Q. Yes, sir.

A. Well, we, of course, sell our equipment. Sometimes A.D.T. offers a rental proposition to the customer; sometimes A.D.T. will sell the equipment to the customer.

Q. So are you saying now you are in competition with A.D.T. in that you were trying to sell some equipment to a customer where A.D.T was trying to lease equipment?

A. Either lease or sell.

Q. And that was the competition that you had in mind when you mentioned competition?

A. That is correct.

Q. Your venture there was strictly an attempt to sell equipment?

A. That is right.

Q. I think, sir, you have mentioned to Mr. Williams that [fol. 6894] in the last year you sold equipment for the

installation of from 12 to 20 proprietary systems in the United States?

A. That is a guess.

Q. Is that an educated guess, based upon your position as president of this company?

A. Yes.

Q. Now, what about the year before, approximately how many systems did you sell?

A. There again I would have to guess absolutely, because I do not keep any records of the number of systems that have been sold.

Q. But your best educated guess, sir.

A. 12 to 20.

Q. And would you say that that is generally the number per year in the last five years?

A. There again there are great fluctuations, in that sometimes we sell more, sometimes we sell less.

Q. Would you say this 12 to 20 would be a close to average per year in the last five years?

A. I wouldn't like to say that, no.

Q. Well, give us your best estimation, sir, as to what an average per year would have been for the last five years.

A. In dollar volume?

[fol. 6895] Q. In numbers of protection accounts, sir. Dollar volume got us into trouble moments ago. I would just like to keep it to numbers.

A. It might run from 12 to 25, 30. We are speaking now of the larger proprietary systems?

Q. I was speaking, sir, of proprietary systems as such.

A. Yes.

Q. Where you have the console on the premises.

A. Yes.

Q. The proprietary system as generally is described in the National Board of Fire Underwriters Pamphlet 71 or 72, is that what you are talking about, sir?

A. That is correct, yes.

Q. And that 12 to 20 that you mentioned, that is throughout the United States?

A. Yes.

Q. Now, in those instances where you were trying to sell your equipment, sir, and you found that A.D.T. was also there trying to get its equipment into this customer's

premises, do you know whether or not A.D.T. was bidding for a central station system there against you, or were they bidding on a proprietary system?

A. I think there have been cases where they have done one or the other.

[fol. 6896] Q. Well, what percentage of the time would they be bidding against your company for a proprietary system?

A. It is absolutely impossible for me to answer that question, sir. I have no conception of how many times or in what ways these negotiations are conducted.

Q. You have mentioned that in some instances your company has sold equipment for the installation of a proprietary system in premises which were previously protected by A.D.T., is that correct?

A. That is correct.

Q. You mentioned the automobile industry.

A. Yes.

Q. Where were these automotive factories located, sir?

A. I imagine the major part of them were in the Detroit area, but not necessarily all.

Q. The major part of them would be in the Detroit area?

A. Detroit area.

Q. Do you know how far these installations were from the A.D.T. central station?

A. No.

Q. Do you know whether any of these installations were as much as 25 or 30 miles away from the A.D.T. central station?

A. When you say, "these installations," you mean installations where we have sold and A.D.T. service has [fols. 6897-6899] been removed?

Q. Yes, sir.

A. I do not know that.

Q. When is the last such instance you can recall where you replaced A.D.T. service by selling equipment to a subscriber or a property owner?

A. I do not know. This involves a replacement of A.D.T. equipment. I just do not know.

* * * * * * *

[fol. 6900] Redirect Examination of Roy Van Wagner.

By Mr. Williams:

Q. Mr. Van Wagner, to your knowledge, has your company sold a proprietary system within the last five years to the Chevrolet Division of General Motors in Kansas City?

A. Yes, yes.

Q. You recall that such a sale was made by your company?

A. Yes, Chevrolet, Kansas City.

Q. Do you know whether or not that particular location, at the time of the sale, was protected by A.D.T. central station service?

A. I do not know that.

Q. Do you know whether within the last two years your company has sold a proprietary system to the Quaker Oats Company in Cedar Rapids, Iowa?

A. I have no personal recollection of that, but it is probable that we did.

Q. Do you know whether within the last two years your company has sold a proprietary signaling system to the Sherwin-Williams Paint Company in Chicago?

A. Yes.

Q. You recall that such a sale was made?

A. Yes.

[fol. 6901] Q. Do you know whether or not that location was previously protected by A.D.T. central station service?

A. Actually I do not. I know that A.D.T. was in competition with us on that sale.

Q. Do you know whether within the last several years your company has sold a proprietary system to the Kearney & Trecker Corporation in Milwaukee, Wisconsin?

A. That name sounds familiar, but I cannot answer the question accurately.

Q. Do you know whether in the last two years your company has sold a proprietary signaling system to the Chevrolet Division located in Muncie, Indiana?

A. Yes, we have.

* * * * * * *

[fols. 6902-6904] Q. Do you have any recollection, sir, of whether your company bid on a prospective job with the Campbell Soup Company in Camden, New Jersey, approximately three years ago?

A. Yes, I do know there was some activity there. That was about three years ago, I believe.

Q. Do you know whether your company got that job?

A. We did not.

Q. Were you in competition with any other company?

A. I think it was A.D.T.

* * * * * * *

[fols. 6905-6906] Affidavit

STATE OF OHIO,
Richland County, ss:

Roy Van Wagner, being first duly sworn, says that he is the President of The Autocall Co., an Ohio corporation, with its principal place of business at Shelby, Ohio, and to the best of his knowledge and belief states:

1. That the gross revenue received by The Autocall Co. from its sales of equipment for proprietary systems during the calendar year 1960 amount to $624,000.00; in the calendar year 1961, $825,000.00; and in the calendar year of 1962, $626,000.00.

2. That the gross revenue received by The Autocall Co. from its sales of equipment for remote station systems during the calendar year 1960 amounted to $17,000.00; in the calendar year 1961, $20,000.00; and in the calendar year 1962, $23,200.00.

3. That the gross revenue received by The Autocall Co. from its sales of equipment for local alarm systems during the calendar year 1960 amounted to $633,000.00; in the calendar year 1961, $645,000.00; and in the calendar year 1962, $700,000.00.

Affiant further says that the above answers are in response to questions 1, 2, and 3 set forth in an application filed in the United States District Court for the District of Rhode Island in civil action #2785, to require The

Autocall Co., through its President, Roy Van Wagner, to answer questions on deposition.

Further affiant saith not.

Roy Van Wagner

Sworn to and subscribed before me this 7th day of August, 1963.

Robert T. Green, Notary Public.

My commission expires: 12/23/63

[fol. 6907] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT W12a

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION, AMERICAN DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE COMPANY and AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

The Deposition of FRANK W. HOUGHTON, taken by the Defendants, before Ida King, a Notary Public within and for the County of Wayne, State of Michigan, at 800 First National Building, Detroit, Michigan, on Thursday, September 27, 1962, commencing at 9:40 o'clock A.M.

* * * * * * *

[fol. 6908] Detroit, Michigan, Thursday, September 27, 1962, 9:40 o'clock A.M.

FRANK W. HOUGHTON, was thereupon called as a witness herein, and, having been first duly sworn by the notary public to tell the truth, the whole truth, and nothing but the truth, testified as follows:

Examination.

By Mr. Fritz:

Q. Will you please state your full name and home address, Mr. Houghton.

A. My name is Frank W. Houghton. My home address is 14651 Terry, Detroit, Michigan.

Q. Are you engaged in the protective business, Mr. Houghton?

A. Yes.

Q. Are you affiliated with any company?

A. Yes.

Q. What company is that?

A. Automatic Alarms.

Q. Where is its place of business?

A. 8315 Linwood.

Q. That is here in Detroit?

A. Detroit 6.

Q. Do you hold an office in that company?

[fol. 6909] A. Yes; I'm president.

Q. Who are the other officers?

A. Mr. Elmer Ross, vice-president; Mr. Norman Morrison is secretary and treasurer.

Q. Will you describe generally the nature of the company's business?

A. We install and maintain burglar and fire alarm systems.

Q. And where does the company conduct its business; in what area does it operate?

A. In the city of Detroit and surrounding areas; that is, in the suburbs.

Q. For how long have you held that position of president of Automatic?

A. Since 1946.

Q. Is that when the company was established?

A. November 6, 1946.

Q. The company is incorporated under the laws of this state?

A. Yes.

Q. Could you tell me in somewhat more detail what type of service it is that the company renders?

A. In detail?

Q. Yes. For example, does it render local burglar alarm service or remote station or central station? Would you describe the different services, please.

A. Yes. We install local burglar alarms. You want de-
[fol. 6910] scribed what a local burglar alarm is?

Q. Briefly.

A. A local burglar alarm is an alarm that is attached to a store or a business place—could be a residence also—to ring a bell locally in the event that someone attempted to gain entrance to these premises.

Q. Do you install and maintain local fire alarms also?

A. Yes, we do.

Q. And they operate in generally the same manner as burglar alarms?

A. Local fire alarms could be—a local is one where it sounds a local bell on the premises, primarily for the evacuation of the building and to attract outside attention so that someone will call the Fire Department. They can also be automatic systems or manually operated systems; and sometimes in some of these hospitals or schools, places of that kind, they just have a manually operated system. In other words, someone has to go and break a glass and pull the alarm, which will sound all the bells that are in the premises, to evacuate the building.

Q. And in other cases there are thermostats?

A. If it is an automatic system, they put up heat-operated thermostats so that if a fire starts, the heat generated by the fire will automatically trip that alarm, which will evacuate the building.

Q. Does your company render any direct-connected or remote-station service?

[fol. 6911] A. Yes, we do.

Q. In what area does it render that service?

A. Well, mainly in the outlying areas around the city. In other words, a remote-station system is one that sig-

nals directly into a fire station or a police station. A remote-station police-call system would be used for burglary and holdup; and a remote-station fire-alarm system would be to signal directly into the local Fire Department rather than to go to a central station and then be relayed to the Fire Deparment.

Q. Does your company also render auxiliary-alarm service?

A. Auxiliary service? Very little. We have a few occasions where they have had watchmen and they wanted us to put in a system to signal to the watchman.

Q. I'm afraid that perhaps I'm using that term in a different sense than you do. I believe you were there referring to some sort of a watchman, supervisory or night-watchman system, were you not?

A. No, I am not.

Mr. Levy: Are you referring to a proprietary system?

A. Yes. Auxiliary, proprietary, isn't that what you were——

By Mr. Fritz:

Q. (interposing) I'm speaking, when I refer to the auxiliary system, to a system which consists of devices installed on a subscriber's premises which are connected to the municipal fire alarm telegraph circuit.

[fol. 6912] A. I'm sorry. I misunderstood you. Yes, we do. We install a local fire alarm system, and it is connected directly with the Fire Department through the municipal fire alarm system.

Q. In what area do you render that service?

A. In Detroit.

Q. In the city itself?

A. Yes.

Q. Do you also render proprietary service? And by that I mean install, maintain systems consisting of devices on a subscriber's premises which are connected to a console or panel located also on the subscriber's premises and manned by the subscriber's own personnel?

A. Just one or two instances. Actually, it isn't a console. It is just an arrangement to alert the local watchman on the premises.

Q. Is there a signal panel, some such arrangement as that?

A. Yes. It is a control panel with a bell, and in some cases we put in an enunciator to indicate to the watchman the area in which the fire or the attempted burglary is done.

Q. Does your company also provide central station service?

A. Yes, we do.

Q. Central station service of what types?

A. Central station is a system that is connected directly to our own central station. We have watchmen and guards or operators and guards on duty on a 24-hour basis to re- [fols. 6913-6915] spond and also to notify the Police Department in the event of some emergency.

Q. Do you render central station burglary alarm service?

A. Yes, we do.

Q. Holdup alarm service?

A. Yes.

Q. Automatic fire alarms?

A. Yes.

Q. Sprinkler supervisory and water flow?

A. Yes.

Q. Do you render any other central station services, such as industrial process service?

A. A little on temperature control. That is, temperature supervisory. We haven't done anything as far as industrial supervisory is concerned.

Q. Does your company render any other form of protective service, such as patrol service or watchman service?

A. No.

Q. Have we now discussed the full scope of the protective activities in which your company engages?

A. I would think so, yes, quite largely.

* * * * * * *

[fol. 6916] Q. All right, sir. Do you retain title to the equipment you install in the subscriber's premises?

A. In many cases, yes.

Q. Do you have but one form contract which you use for all of the various services that you render?

A. No.

Q. You have several forms?

A. We have different forms. There are certain terms in some of them that aren't in others.

Q. You have with you copies of the various contract forms?

A. Yes. What I mean is, oftentimes I may have a customer that I'm a little bit leery of, and I may charge him an annual fee to cover the cost of installation and service for the whole year. In other words, if I can get my fee in advance—what I'm getting at is, occasionally you will get some fellow that's just starting up in business, and we have to be a little bit concerned as to whether it is worthwhile. In other words, you get your installation fee and two months later he is out of business; so rather than to go along with someone like that, I would make an annual arrangement, charge them so much covering the cost of installing the system and the service for the first year. Then they can pay the second year service on a quarterly basis after that, so much per quarter.

Q. Do you sell alarm systems outright?

[fols. 6917-6918] A. Oh, sure.

Q. Do you sell your central station alarm systems outright?

A. Not generally. That is, it isn't very practical, because we do have to maintain it.

* * * * * * *

[fol. 6919] By Mr. Fritz:

Q. Can you tell me the number of customers Automatic has at the present time?

A. According to our records, we have 550.

Q. Can you give me the number of customers you had as of each of the last five years, we will say, the period 1955 through '60, if that is the way you have it?

A. No, I couldn't. As a matter of fact, I checked with our bookkeeper, and he says this will be almost impos-[fol. 6920] sible to check, because we didn't keep a record of the number each year. That is, part of the bookkeeping system, the bookkeeping primarily covers income and outgo and so forth; but to get that information as to what it was for the last five years, I wouldn't know.

Q. Are you able to state what it was for the past two or three years?

A. No.

Q. You don't have figures which would show the number of subscribers to various types of service?

A. I have figures here showing the number of local, central station, and police call systems that we have at the present time.

Q. Would you tell me how many local alarm subscribers you have at the present time?

A. We have 300.

Q. Do you have service contracts with those customers?

A. Yes.

Q. Do you have the breakdown as between burglar and fire?

A. No, I don't.

Q. Can you tell me roughly what percentage of your local alarm subscribers are burglar alarm subscribers?

A. I would say about 90 per cent of our subscribers are burglar alarm.

Q. All right, sir. Do you have the number of subscribers [fol. 6921] to your remote station with direct connected service?

A. You mean central station alarm?

Q. No; remote service.

A. Remote station, we call them police call, but it would be the same thing. We have about 50 that are connected into various police departments and fire stations.

Q. Can you tell me how many of that 50 are connected to fire headquarters rather than police headquarters?

A. I would say about ten of them would be in the Fire Departments.

Q. You do have some auxiliary subscribers?

A. Yes.

Q. How many?

A. Three or four.

Q. And we are now using the term "auxiliary" as——

A. (Interposing) As connected to the municipal station, Fire Department, yes.

Mr. Levy: Excuse me. Has Mr. Houghton stated he is using the term as connected to municipal fire stations?

A. Municipal fire alarm systems.

Mr. Levy: Systems? I'm sorry.

By Mr. Fritz:

Q. You are familiar with the pamphlets, are you, that are put out by the NFPA, pamphlets 71 and 72, which describe different types of systems?

A. Yes.

Q. We just now discussed auxiliary. I intended to use [fol. 6922] the word "auxiliary" in the sense as defined in those pamphlets.

A. Yes.

Q. You are familiar with their definition?

A. Yes.

Q. How many proprietary subscribers do you have?

A. Well, they aren't really subscribers. A proprietary system, we put them in and sell them to the subscriber.

Q. Do you have contracts to maintain those systems?

A. Not generally, no,

Q. It is on an as-called basis?

A. Yes. They are just installed and sold to the customer as a proprietary system.

Q. Can you tell me how many proprietary systems you have sold over the past five years?

A. I would say roughly three or four.

Q. Do you recall what the sale price was?

A. No, I don't, because they vary so, depending on the size. Some of them are combination of fire alarm systems We installed a combination burglar and fire alarm system. Those are purely local alarms, but they vary according to the size.

They also have some stores where they keep watchmen or cleanup people inside, and those systems are installed and sold to them.

[fol. 6923] Q. You have sold systems to Kresge?

A. Yes.

Q. They operate as a department store; is that right?

A. Well, they are a variety store. They are getting into a department store business now.

Q. Have you made such sales fairly recently?

A. Yes.

Q. When?

A. Yesterday.

Q. Here in Detroit?

A. Yes.

Q. In the city itself?

A. Let's see. No, it is not in the city.

Q. Have any of these proprietary systems been installed by you here in the city?

A. Oh, yes.

Q. In the city proper?

A. Yes.

Q. In stores, establishments similar to Kresge?

A. Yes.

Q. Department stores or factories?

A. Yes. Other than Kresge's, there have been factories where they had watchmen.

Q. Now, do you have with you the number of central station service subscribers?

[fol. 6924] A. Yes. We have 200.

Q. Can you tell me the services to which they subscribe, whether it be burglar alarm central station service or fire alarm central station service.

A. In all these cases, it would be burglar alarm, mainly. There are some fire alarm and some sprinkler, water flow, and supervisory service.

Q. Can you tell me what percentage of your central station subscribers have burglar alarm systems?

A. I would say 90 per cent.

Q. And what percentage of them have fire alarm central station service? I'm now speaking of automatic fire alarm.

A. With automatic fire alarm, I would say about two per cent.

Q. Do you use a pneumatic type tubing in those installations?

A. No. I have in just one or two cases, but generally we use the spot fire locators or fire detectors.

Q. Rate of rise or——

A. (Interposing) Most of them are rate of rise. There are some of them that are fusible links. Some of them just have a high limit fire detector. It all depends on what the customer wants or decides in the area he wants to cover.

Q. When you spoke of fusible links, is that like protecto wire?

A. No, we have never used a protecto wire. I know what it is, but we have never used it. Reliance used to use the protecto wire. Those fusible links were some that were [fol. 6925] made up especially for the Kresge people. A local man had a small tool shop and he made these up for them. He had a stamping. He stamped it out, and they soldered these two links together.

Q. And at some certain temperature the links will fuse and cause an alarm?

A. Yes. I think that they melted at 136 degrees. These pieces would come apart, open the circuit, and trip the fire alarm. This was a homemade affair that they were using for sometime. Kresge used to buy their systems from another source, so they were having considerable trouble with it, and I was able to negotiate a deal with them where we would install their systems using our equipment.

Q. Were the systems that Kresge had been acquiring from some other source local alarm systems?

A. Yes. That is, you are speaking of the local alarm as one that rings as an alarm on the premises?

Q. Yes. What percentage of your central station subscribers receive sprinkler supervisory or water flow alarm service.

A. I would say about three per cent.

Q. And what percentage of your central station subscribers receive nightwatch or what might be called watchman supervisory service?

A. About one per cent. We don't do much of that.

Q. Do you have manual fire alarm systems tied to your central station?

[fol. 6926] A. Yes.

Q. What percentage of your subscribers receive that?

A. That is about one per cent.

Q. And you mentioned earlier that some of your central station subscribers have temperature supervisory alarm systems?

A. Yes. That generally is tied in, that is, it might be tied in along with a burglar and possibly fire alarm system. We have customers that have a burglar alarm system, a temperature supervisory, furnace supervisory, sprinkler, water flow, and supervisory as well as fire

alarm—in other words, we have some customers that have all of those services.

Q. Yes. And some who might just subscribe to one or two of your services?

A. Some would have a burglar alarm and temperature supervisory. Those are quite common. We have a large number of those. As a matter of fact, we oftentimes sell that as a package arrangement. In other words, a man has a place that he wants to be sure that it dosen't freeze up, and we sell him a package item of a burglar alarm, including temperature supervisory.

Q. Roughly, what percentage of your central station subscribers do receive some sort of supervisory service? And by this I mean other than sprinkler supervisory.

A. Oh, I would say about ten per cent, perhaps.

Q. Has the number of your subscribers increased over the years, Mr. Houghton?

[fol. 6927] A. Yes.

Q. Can you tell me with reasonable accuracy the number of subscribers you had last year?

A. Pretty much the same as it is right now. That is, it might be little less. We have shown some increase. Our business is one that—like the first year, you put in a lot of jobs, practically no one goes out of business, so it is all a big increase. The second year, put in the same number, but take out half of what you put in the first year, and as a result, after you get up a certain clientele, you find that you have to sell about two alarms to gain one, because——

Q. (Interposing) You have discontinuances or business failures?

A. That's right.

Q. Well, could we compare, for example, the present year with the year 1955?

A. I would say that we most likely increased approximately 50 customers over the year.

Q. This year you have 50 more customers than you had in 1955?

A. That's right.

Q. That would be six or seven years back?

A. That's right. Actually, this particular year has been a little bit rough, because we have had so many failures. Going over the sales records, you find more red stuff than you do black.

Q. Last year you had approximately the same number of customers as this, and do I gather rightly that there [fol. 6928] has been a gradual increase in the number of customers over the last five or six years?

Mr. Levy: I object to the form of the question.

By Mr. Fritz:

Q. Do you have revenue figures with you, Mr. Houghton?

A. Yes.

Q. Do you have these figures broken down by type of service?

A. No. Yes, I do, too. Estimated monthly revenue. We have it here. Local system, estimated monthly revenue amounts to about $3,500.

Q. These figures speak as of the present, I gather.

A. Yes. Central station, monthly revenue runs about $5,700. Police call or proprietary systems, the estimated monthly revenue is about $1,800.

Q. Do you have similar figures for any prior years?

A. No, we haven't.

Q. You do have some sort of revenue figures with you for prior years, do you not?

A. Yes.

Q. What are those figures?

A. These date back to 1955, profit and loss statement.

Q. Would you care to let me see those papers, Mr. Houghton?

A. I brought them down for that purpose.

Q. Do you have similar statements for each of the years 1955 through '60?

[fol. 6929] A. Here's one for '56, '57, '58, '59, and '60, and '61.

Q. Mr. Houghton, you have given me six documents which purport to be profit and loss statement for each of the years 1955 through '61; is that right?

A. Yes.

Mr. Fritz: May I have these documents marked Defendents' Exhibits 7 through 13.

(Profit and loss statements were marked Defendants' Exhibit Nos. 7 through 13 by the reporter.)

Q. Mr. Houghton, I notice on these profit and loss statements just marked as Defendants' Exhibits 7 through 13 there is an item of non-reoccuring revenue. Will you tell me what that would cover?

A. Yes. That is sales of equipment, installation fees, and so forth. In other words, reoccuring revenue is where you get a monthly or annual fee.

Q. The reoccurring revenue would be service charges as opposed to installation charges and receipts from an outright sale?

A. Yes. Non-reoccurring is installation fees, sale of alarms or sale of equipment.

Q. All right. Thank you, sir.

Mr. Houghton, I gather that you have another document which is a profit and loss statement for the first seven months of this year.

A. That's right.

[fol. 6930] (The profit and loss statement for 1962 was marked Defendants' Exhibit No. 14 by the reporter.)

Q. And do you also have with you, Mr. Houghton, a document showing the number of subscribers as of the present for your various types of service?

A. Yes. This is estimated as closely as we could estimate it.

Mr. Fritz: May we have that marked.

(The document was marked Defendants' Exhibit No. 15 by the reporter.)

Q. Are you the owner of the stock, capital stock, in Automatic, sir?

A. I own part of it.

Q. And are the other officers the other owners?

A. Yes.

Q. Before, we were discussing the percentage of your subscribers that take, for example, burglar alarm service as opposed to some other service. Do those percentages figures which you gave me stand good for the years prior to the present?

A. Oh, yes, I imagine they would. That is, it is difficult

to recall the number of jobs that you put in. The bulk of our business is burglarly and holdup.

Q. Mr. Houghton, the thing that I'm interested in is whether or not those percentages give what you would say is a reasonably accurate picture of the breakdown of your subscribers in the past five years.

[fol. 6931] A. There are so few of them you might sell one or two one year, or none at all; and I say the bulk of our business is burglary and holdup.

Q. You said there are also so few of them that you may sell just one or two a year. What were you referring to?

A. On other types, such as fire, sprinkler supervisory, things like that. Temperature supervisory, that is something that is a little more common, because it ties in with a burglar alarm protection, too.

Q. All right, sir. Do you have any persons in the employ of the company other than the officers?

A. Yes.

Q. How many employees do you have in addition to the three officers?

A. I believe that there are about twelve.

Q. In what categories do these employees fall?

A. Well, let's see. I think we have—our men—and I might say there are all men—we have one bookkeeper; we have three operators—that is, that do operating work.

Q. By that do you mean men who monitor the board in the central station?

A. They answer the phone and operate the operating board, central station board. We have about three men who are generally installers, install equipment. They also act as part-time servicemen.

[fol. 6932] Q. And you have some guards or runners?

A. We have guards and runners who are actually——

Q. (Interposing) How many?

A. They are a combination serviceman and guard. In other words, when we get an alarm signal at night, we send a man out in uniform who is armed, and he will go out and act as a guard; and when he has made a thorough investigation, he will then determine what caused the alarm to trip, and make the repairs, if it is necessary, and put the alarm back in service. So we call them actually servicemen, but they do serve as a guard as well as a serviceman.

Q. All right, sir. But how many men do you have?

A. Well, on a regular basis, I would say about four.

Q. In addition, you have some part-time men?

A. Yes, we have some of our installation men who also have permits to carry weapons and can operate or act as a serviceman guard.

Q. The part-time men have already been mentioned by you when you told me you have three installers who also act as servicemen?

A. Yes.

* * * * * * *

[fol. 6933] Q. Is your central station located in a fireproof building?

A. No.

Q. That is a building rented by you?

A. Yes.

Q. Is the equipment which you install in a subscriber's premises approved by Underwriters Laboratories? And now I'm speaking of the devices other than those Kresge fusible links we have spoken of.

A. In some cases, yes.

Q. Would you describe for me in a general way what your central office consists of?

A. You mean the operating of the department?

Q. You now are drawing distinction between that and the shop?

A. We have our general office, we have the operating office on the second floor, we have our shop in the rear of our general office, which is on the first floor. The basement is used for a stockroom.

Q. Do you have panels or consoles in your operating room?

A. Oh, yes.

[fols. 6934-6935] Q. And you have drops or enunciators on your panels?

A. Yes, we do.

Q. Where did you secure that equipment?

A. We build it.

Q. Do you do a certain amount of research and engineering and fabricating of your own devices in your shop?

A. Yes.

Q. I assume that a lot of the components of these consoles or these panels built by you were acquired elsewhere.

A. Yes. Of course, relays, things of that nature, are purchased from a manufacturer. Switches, lights, and so forth we buy from local suppliers, either electrical supply houses, or some of them are radio supply houses, radio and television supply houses, where we can buy components, too.

Q. Who are the suppliers of the devices and burglar alarm or fire alarm equipment that you buy?

A. Well, Potter Electric, in St. Louis; Ademco in Brooklyn; Fire-Lite, in New Haven, Connecticut; Mosler Research Products Company; Kidde Walter Company; Ace Burglar Alarm Equipment, Chicago; Spies Electric Company, in Chicago.

Q. And there may be more?

A. I am sure there are more, yes.

Q. Have you experienced any difficulty in securing the equipment you need to conduct your business?

A. No, I don't think so.

* * * * * * *

[fol. 6936] Q. You do provide protection to banks?

A. That's right.

Q. Banks here in Detroit, in the city?

A. Yes.

Q. What sort of service do you provide?

A. Holdup as well as safe burglary, vault burglary.

Q. Is the service that you provide an underwriters' or insurance rating organization approved service?

A. Not generally, no.

Q. Would you mind stating the names of some of those banks that you provide service to here?

A. I don't know whether that would be ethical or not, because the banks are rather cagey and don't like to advertise what they have got.

[fol. 6937] Q. If I assured you that we would not disclose the names of these—I will withdraw that question, sir.

Are they national banks?

A. Yes.

Q. Are they located in the business or commercial section of the city of Detroit?

A. Yes.

Q. Do you protect both main offices and branch offices of the banks?

A. Yes.

Q. Do you protect federal savings and loan banks?

A. Yes.

Q. Is that service which you render to them a central station type service or a direct-connected service?

A. In both ways, yes. We have a number of them that come directly into our office, and we also have a number that are connected directly with local police departments.

Q. Those that are connected directly with local police departments are located where? In the suburbs or in the city?

A. In the suburbs.

Q. Do you have any direct connections to police headquarters here in the city itself?

A. No.

Q. Approximately how many banks do you provide protection to?

A. You mean how many offices or how many——

Q. (Interposing) How many banking establishments?

[fols. 6938-6939] A. Roughly, I would say ten or twelve.

Q. Have you provided such service to banks over a period of some years?

A. Yes.

Q. Your central station has not been approved by Underwriters or——

A. (Interposing) No, it has not.

Q. Are you familiar with the certificated installations, Underwriters' certificated installations?

A. Yes, I am.

Q. Are the systems which you install in your subscribers' premises the equivalent, in your judgment, of Underwriters' certificated installations?

A. Yes, in some cases.

* * * * * * *

[fol. 6940] Now, if the central station itself is approved by Underwriters Laboratories, the equipment that is put in the subscriber's premises, that has been approved by the laboratories, and the wiring that is installed in the

subscriber's premises is done according to Underwriters' specifications; and also the extent of the wiring meets their requirements, then you can issue a certificate on that system.

So that what I'm getting at is that the extent of wiring, if you had a No. 2 wiring system, that includes all ceilings and walls as well as doors—that is, that are not outside. No. 1 includes ceilings, walls, floors, and everything; in other words, it is a complete protection.

No. 3 installation covers all accessible doors and windows and coming into the premises, other than stationary, [fol. 6941] such as show windows.

Q. When you said 1, 2, and 3, you are using the classifications that are used by the Underwriters' Laboratories?

A. That's right.

Q. And you, even though you do issue Underwriters' certificates do make such installations, do you not?

A. We do issue Underwriters' certificates, yes.

Q. For the local alarm systems?

A. We have a listing for Grade A local burglar alarms.

Q. When you are called by a prospective subscriber or have the opportunity to submit a quotation, how do you go about estimating what your charge will be?

A. You mean if the subscriber just calls me? I can't give him a figure; I don't know.

Q. What do you do?

A. I ask him for his name and address, and arrange to make a survey of the building.

Q. What does that survey consist of?

A. Well, I'll go out and first talk to the subscriber and find out what he will require, what he needs. That is, let's put it this way: that a man that has a jewelry store will require a much better type of system than the man that has an automobile repair shop or something of that nature. The same thing is true with a bank. You go into a bank and he wants his vault protected, and he wants to concentrate the protection on the vault. He is not at all [fol. 6942] interested in whether someone will come in to the bank proper, as long as they leave the vault alone. If it is a merchant, he has a clothing store, he would like to protect that by wiring all accessible doors and windows, skylights, any opening that comes into the premises. Occa-

[fol. 6943] sionally they do request protection on the ceilings to protect against someone getting on the roof and cutting a hole through the ceiling; or if the walls or partitions are flimsy, he may require that protection be applied to those.

We go out. The prime purpose, of course, is to talk to the customer and find out what he needs first.

Q. Once you have ascertained what it is that he does need, you know he has a certain number of windows and doors and certain square footage of the walls that have to be protected, whatever it be, do you have some sort of a unit count——

A. (Interposing) Yes, I know what you mean.

Q. (Continuing)—by which you compute your charge?

A. Yes.

Q. Does a window constitute a unit?

A. It depends on the window. Why I say that is, you could have what we call an oldfashioned two-sash window, where you have a window that slides up and down, and another that pulls down from the top. That would be classified as a unit.

Q. That would be a unit?

A. That would be a unit. Of course, if it were split up into a lot, say, a real large window, and the window were split up with small panes of glass, where you had a large number of panes of glass, then you would have to consider it differently. You are most likely familiar with ADT's arrangement. ADT figures any moveable section——

[fol. 6944] Q. (Interposing) I am fairly familiar with that, but I am interested in what you do.

A. Mine is practically the same.

Q. I beg your pardon?

A. Mine is practically the same as ADT.

Q. Do you figure, then, that each unit——

A. (Interposing) Is worth so much.

Q. (Continuing) —is worth so much?

A. That's right.

* * * * * * *

[fol. 6945] Q. Have your service charges increased in the past five years?

A. Yes.

Q. By what percentage have they increased over 1955?

A. I would say about ten per cent.

Q. When you mentioned that ten per cent increase in service charges, does that apply to your service charges for all sorts of service, central station direct connected?

A. Well, that is estimated, yes. I would say probably as near as I can figure it, I would say yes.

Q. When a subscriber refuses to renew or cancels his contract, what do you do with the equipment that you have installed in his premises?

A. Just take it out and throw it in the stockroom, to be rebuilt.

Q. Do you remove the transmitter, for example, and the detection devices?

A. Yes.

Q. Do you remove the spot locaters?

A. Not generally.

[fols. 6946-6949] Q. You don't remove foil that you may have installed in the premises of a burglar alarm subscriber?

A. No. It is too much work to take it off.

* * * * * * *

[fol. 6950] Q. Would you do me this favor: When you get this deposition for the purpose of reading and signing, and at that time you have an opportunity to read it over and make corrections if they are required, would you at that time compare your 1952 or 1955 price sheet with your current price sheet and then on the basis of that comparison state to the best of your ability with respect to service charges the per cent decrease or increase in your prices for that period?

A. Yes.

Q. And that will be sufficient for my purposes.

A. All right, I can do that.

(10% increase in installation and service rates since 1958.)

[fol. 6951] Q. Mr. Houghton, do you encounter any competition from other companies in this city?

A. Yes.

Q. Would you name them, please?

A. Well, we'll start with ADT, Michigan, Guardian, Dawn Patrol, Certified. They are all competition.

Q. Are there any other companies in addition to those?

A. There is one small company, called the Ace Alarm Company. We don't run into them very much. It is quite a small company. I don't know just what they are doing. I think he is working at this on a part-time basis.

Q. Do you regard these companies that you just mentioned as competitors of yours with respect to all of the various types of service your company renders?

A. No.

Q. Let's take the Michigan Alarm Company. Do you regard that as a competitor of yours?

A. Sure.

Q. Do you encounter that company when you bid on a job where you intend to install or hope to install central station service?

A. Occasionally.

Q. Do you encounter that company when you submit a bid to a bank?

A. Not very much.

Q. Now, you stated before that you don't know whether all of these companies are competitive with you in all respects.

[fol. 6952] A. Well. let's put it this way: some of the companies do not have the things to offer that we have.

Q. What is that? Can you give me a for-instance?

A. I have never run into Guardian or Dawn Patrol or Certified in connection with temperature supervision, sprinkler, water flow, fire alarm. I do believe that they do occasionally put in some fire detectors, but I haven't run into them in competition.

* * * * * * *

[fol. 6953] Q. Do you provide local alarm service to any jewelry stores here in the city?

A. Yes.

Q. Do any of the banks that you have mentioned before have local alarms?

A. No.

Q. Don't they have gongs ringing on the premises when the vault is attacked?

A. Not very much.

Q. Do any of them?

A. Some banks still have the oldfashioned local burglar alarm, but not very many.

Q. Do you provide local alarm service to some jewelry stores here?

A. Yes.

Q. You provide central station service to some jewelry stores?

A. Yes.

Q. Are those stores located here in the city?

A. Yes.

[fol. 6953a] Q. Did you offer to supply central station service to the jewelry stores which receive local alarm service from your company?

A. Oh, yes.

Q. Did you yourself form some opinion as to the type of service those stores should have?

A. Yes, I think so. In other words, I go out to the customer and I say, "Well, we do have a local burglar alarm system, and that costs so much. Now, if you would like a central station system, connected to it, we can connect our central station for so much more."

Q. Did you find that these jewelry stores that subscribe to your local alarm service would have been adequately protected by central station service?

Mr. Levy: I object to the form of the question.

A. It all depends. As I stated before, the extent of the wiring is a determining factor. You could put in the finest central station alarm equipment and do a shabby job of wiring, and still not have an adequate burglar alarm system. Or you might put in the finest of wiring, everything completely wired in the very topnotch manner, and still put in a shabby piece of equipment that would make the system impractical.

By Mr. Fritz:

Q. Local alarm does afford protection against hazards such as burglary and fire, does it not?

A. It could, if you had fire detectors. If it had burglary,

if it was wired for detectors of burglary, it would obviously [fol. 6954] protect against burglary.

Q. Does central station alarm system afford protection against the same hazards?

A. Yes. In other words, the wiring for local alarm is exactly the same as the wiring for central station alarm. That is, if you say it has to meet Underwriters' specifications, the wiring is the same.

Q. You mentioned you have some jewelry stores, also Kresge stores as subscribers to your local alarm service. Do you have any other commercial or industrial establishments subscribing to your local alarm service?

A. Yes.

Q. Are they located here in the city?

A. Yes.

Q. Do any of those establishments in your view amount to large establishments, and by large establishments we will take some square foot area. What would you call a large establishment?

A. Well, I would say a supermarket or a warehouse.

Q. Supermarket or warehouse?

A. A small factory.

Q. Do you have any warehouses taking local alarm service from your company?

A. Yes.

Q. Do you have any supermarkets?

A. Yes.

[fol. 6955] Q. Do you have any factories?

A. Yes.

Q. Are these establishments located here in the city, within the city proper?

A. Yes.

Q. Are they in the busy or commercial part of the city? I am not too well acquainted with Detroit. I should explain that, and I am not sure whether there are residential areas in the city.

A. What you are thinking of perhaps is like a downtown area, where it is highly concentrated. Yes, we do have some that are in the downtown area.

Q. And you have some in outlying districts as well?

A. Yes, we do.

Q. And you have some in what we might call the factory or industrial areas of the town?

A. Yes.

Q. Do you have direct-connected subscribers located in the industrial or factory areas of the city?

A. To our central station.

Q. Connected either to police or fire department?

A. Yes, we do.

Mr. Levy: He has direct connected here in the city of Detroit?

A. I think I misunderstood you. I understood that you meant in the suburbs. We do not have any burglar or fire [fol. 6956] alarm systems connected directly with the police or fire departments in the city of Detroit.

Q. When you refer to suburbs, you are referring to the areas that are outside the formal city limits?

A. I'm speaking of Hamtramck, Highland Park, Grosse Pointe, Ferndale, Royal Oak, Farmington, Lincoln Park, Allen Park, any of the suburbs outside of the city of Detroit.

The City of Detroit Police Department and Fire Department refuse to handle any alarm systems coming directly into their signal office or into any of their stations.

Q. They do, however, accept some auxiliary connections to the fire alarm telegraph system, do they not?

A. Yes, the Fire Department will permit you to connect schools, hospitals, and so forth to the auxiliary or the municipal fire alarm system, provided the Fire Department will install the line to the school, and you have to use a type box, signal box, a call box required by the City to tie in with it.

Q. Do you know whether or not there are any commercial establishments tied into the municipal telegraph system?

A. No, I don't.

Q. Do you know whether there are any factories tied in or theatres?

A. Theatres, yes. That is a requirement. Theatres do have to have them, hospital, and schools. As far as factories, I don't believe there are any of the factories—I beg your pardon. I know there are some, because there [fol. 6957] is Ford Motor Company, Chrysler.

Q. I am not asking for an enumeration of them, but there are actually some commercial establishments tied into the municipal telegraph system?

A. Yes.

Mr. Levy: Excuse me. May we have a clarification of what you mean by "tied into the municipal telegraph system"?

Mr. Fritz: When I used "tied into the municipal telegraph system," I was referring to the fact that these commercial establishments have auxiliary alarm systems.

Mr. Levy: Was that your understanding, Mr. Houghton?

A. Yes. It is an auxiliary fire alarm box tied to the municipal fire alarm system.

By Mr. Fritz:

Q. It is true, is it not, that there is a system of devices in the subscriber's premises that then are connected by wires to a master box?

A. That's right.

Q. And that master box is then, in turn, connected to, say, the fire alarm box system in the city?

A. Yes.

Q. You mentioned before, sir, I believe, that you protect certain types of stores. We will take the jewelry stores again. Some of your jewelry store subscribers have local alarm service; others have central station service. Do you [fol. 6958] know whether some of those stores or any of them are in similar type locations or even in the same location?

A. I don't quite follow you there on that. Do you mean do they move from one place to another?

Q. No. We will take one of your jewelry stores which happens to be a local alarm subscriber, and another that happens to be a central station subscriber.

A. Oh, yes. After all, we have many merchants, jewelry merchants, who may have a small jewelry store located in an ordinary street. On the street a block away will be another jewelry store——

Q. (Interposing) Will you sometimes——

Mr. Levy: (Interposing) Let the witness please finish his answer. I don't believe that he finished.

A. Then when the other jewelry store gets perhaps a little larger, more prospects, he would want a central station system.

By Mr. Fritz:

Q. Do I gather from your statement there that your central station jewelry store subscribers are large jewelry stores?

A. No, they don't have to be large jewelry stores, but sometimes the small jewelry stores are more profitable than the larger jewelry stores. We have found this to be true, that usually when a merchant starts in business, he is being very cautious about the way he spends his money, and if he can, he will start with a local alarm system because of the fact that his stock is comparatively low. He is a new business man; he has bought [fol. 6959] the business to get started with, and he is putting every cent that he can raise into merchandise and into getting the store started. He oftentimes has to have a burglar alarm system in order to get insurance.

Now, a local burglar alarm system is less expensive than the central station burglar alarm, and he can get insurance provided he has a local alarm. If the insurance company said, "Yes, we will carry your insurance with a local burglar alarm," he will usually go for that.

Now, as his business increases and he increases the amount of stock, the insurance company begins to get a little bit concerned. So they say, "Well, we would like to have you increase protection on this." And they first approach him along the line of increasing the protection.

Sometimes they say, "Your alarm system will have to be changed to an Underwriters' approved Grade A system." Then a little later on they may come and say, "Because of the fact that you have more employees, you are not here supervising at all times, we would like to have you put in a central station system which will supervise the operation of that alarm system." It is already an Underwriters' approved Grade A system, but there is no supervision on it. All it does is to ring a bell. The employee, if he were dishonest, could walk out some night, lock the door, but leave the alarm turned off, the local alarm. Someone else could come back, open the door, walk in, steal [fols. 6960-6964] merchandise, go out and then set the alarm when they go out, and nobody would know. The merchandise disappeared. It wasn't a breaking and entering. It was due to dishonest employees.

A central station system, on the other hand, supervises the—in other words, if that employee was supposed to set the alarm at six o'clock and he failed to do so, our operator would call the owner and tell him, "Joe Doakes forgot to set the alarm. You will have to go down and turn it on." If they didn't turn it on, there would be a record made in our office that the alarm had not been set.

In other words, the advantage of the central station definitely is to supervise the fact that that alarm is turned on and off and that nobody would leave it off or a dishonest employee would be unable to come back after hours to steal merchandise.

A local alarm has definite protective qualities from the standpoint of detecting and scaring a burglar. I mean, a regular burglar. A burglar is a sneak, who comes at night because he wants nobody to know he is there. When the alarm starts to ring, it scares him and he usually runs.

Now, if you supervise that alarm system, have the protection against a dishonest employee as well as burglary, if an employee——

* * * * * * *

[fol. 6965] Q. Does your central station installation in the subscriber's premises ordinarily include a gong or horn or some similar noise device?

A. Oh, yes, quite often. That is what is called a combination alarm.

Q. Is that the common type of installation?

A. We try to sell them on that basis, yes.

Q. And more often than not——

Mr. Levy: (Interposing) Mr. Fritz, I don't know if Mr. Houghton answered your question. You said whether that was a common type of installation. Are you referring to his company or in the trade in general?

[fol. 6966] Mr. Fritz: I am referring to Mr. Houghton's company.

A. Well, there are two types of central station. One is direct wire, where you have a single customer on a line. The other type, call it a circuit type. Now, on any type of alarm you could have it where it has a local bell and a central station hookup whether it is a direct wire or a

combination. We try to sell our customers on the idea of a local bell on the premises as well as a central station hookup to supervise if we are using the McCullough circuit. The reason for it is that a McCullough circuit—and I am referring to I don't care whether it is ADT, Michigan, anybody else that uses McCullough—is a single pair of wire that comes from our office and fans out over a certain area in the city with perhaps eight or ten or twelve or fifteen customers on that circuit. You are furnishing battery from the central station out over this line. Any break in that line would automatically give you a signal indicating that the circuit has been broken. You don't know where it is broken, because you are leasing the wire from the phone company, but you can immediately throw a series of switches which will then enable us to pick up signals to ground over first one side and then the other out to the break.

Now, because of the possibility that that circuit can get out of order and you will be unable to have it repaired immediately, we try to sell our customers on the idea of [fol. 6967] having the local bell ring on the premises, either outside the premises or inside the premises, with the idea that that local bell does have a certain protective quality, certain protection that it provides in case of a failure of the line.

Q. Now, excuse me. I think my question was what the effect as to the number of percentage of youh central station subscribers who do have gongs as well.

A. The percentage I would say would be about 90 per cent with the local gong.

Q. Have you ever approached a prospective central station subscriber and have him decline that sort of service on the ground that he had watchmen?

Mr. Levy: I object to the form of the question.

By Mr. Fritz:

Q. I will modify the question to the extent of saying, declined it on the stated ground that he had watchmen?

A. Yes, we have. I could walk in and I don't know what they have, and he says, "No, we don't need an alarm. We have a watchman."

Q. Have you ever had a prospect for central station

service decline on the stated ground that he was satisfied with his insurance coverage and didn't need an alarm system?

A. Certainly.

Q. Have you ever had a prospective central station subscriber decline your central station service on the stated ground that he subscribed to a patrol service?

A. Yes, I think I have once or twice.

[fol. 6968] Q. There are companies rendering patrol service in the city?

A. Yes.

Q. Do you have knowledge of the type of subscribers to those patrol services?

A. Yes; the merchants. Many of them are residential——

Mr. Levy: (Interposing) I am going to object to that question unless you lay the foundation, Mr. Fritz.

By Mr. Fritz:

Q. How do you happen to know, sir, that these people subscribe to patrol services?

A. I don't know who subscribes to it. These people just tell me that they do have a patrol service.

Q. By "people," you mean someone that you solicited?

A. Yes.

Q. And these are people that you solicited for the purposes of selling central station service?

A. Could be either central station or local, either one.

Q. Have you approached any prospects hoping to sell central station service and have them decline on the ground that they were satisfied with their local alarm system?

A. Yes.

Q. And these are people that you would regard as prospects for central station service?

A. Well, I always attempt to sell central station where we can. We have customers that have local alarms, and they are perfectly satisfied with it, for two reasons: first, [fol. 6969] they operate the system themselves and they are not too concerned about a dishonest employee having keys or anything else; secondly, the cost of the local alarm is less expensive than central station.

Q. Now, am I right that you have some local alarm sub-

scribers who have subscribed to your service for a considerable period of time?

A. Yes.

Q. For many years?

A. Yes.

Q. Some of these are business establishments?

A. Yes.

Q. Are you familiar with their growth or expansion over the period of time that they subscribed to your service?

A. We try to keep in touch with our customers.

Q. Some of your present local alarm subscribers who have subscribed for several years have undergone expansion or growth?

A. Yes.

Q. Have you visited their premises?

A. Surely.

Q. Have you observed any changes in their inventory?

A. Surely.

Q. And there are many such subscribers who have notwithstanding their expansion and growth of inventory continued to take local alarm service?

A. Oh, yes.

[fol. 6970] Q. And these include merchants?

A. Yes.

Q. Factories?

A. Yes.

Q. Warehouses?

A. Warehouses don't change very much. That is, they get started and it seems they are confined to the area. If they build and expand, then oftentimes we talk to them along the lines—in other words, I solicit my own customers from the standpoint of expanding the system to meet the requirements of their new setup.

* * * * * * *

[fol. 6971] Q. Have you in the course of your business had occasion to secure as a subscriber of Automatic any person or organization that had previously subscribed to the central station service of ADT or Michigan Alarm?

A. Yes.

Q. What sorts of business establishments were those?

A. Supermarkets.

Q. What sort of service did you give to those customers?
A. Both local and central station.
Q. Were there any others besides supermarkets that come to your mind?

Mr. Levy: You are speaking of combination alarm, you mean some local——

A. (Interposing) Some local and some central station, or some combination systems.

By Mr. Fritz:

Q. Does anything come to your mind beyond the supermarkets?
A. Yes.
Q. Some commercial establishments other than groceries?
A. Factories, warehouses.
[fol. 6972] Q. Have they had occasion to take away from you any of your customers?
A. Yes.
Q. Over the years you have gotten some of theirs, and they have gotten some of yours?
A. Yes.

Mr. Levy: I object to the question as being leading.
Mr. Fritz: I quess I was just summing up what was stated in the two prior answers.
Mr. Levy: I don't believe Mr. Houghton testified that they obtained any of their subscribers.
Mr. Fritz: I think he has. We are not going to take the time to go back. I think we have already covered that, sir. I'm a little bothered about the time element.

By Mr. Fritz:

Q. You mentioned before you do provide service to Kresge stores?
A. Yes.
Q. Kresge is what I would regard as sort of a national account or national chain of stores?
A. Yes.
Q. Do you have any other subscribers that are, say, multi-location or multi-city companies?

A. Yes.

Q. In what general line of business do they fall?

[fol. 6973] A. Well, Michigan Bell Telephone Company, Kroger Grocery Company. We have a number of banks that would be—that is, they operate in the Detroit area. That is, they only go so far.

Q. Any others, like factory type companies?

A. Lee & Cady wholesale grocers. They operate all over the state. I don't know whether they are a national concern or not.

Q. You mentioned before that you render some direct-connected service out of suburbs.

A. Yes.

Q. What is the radius in which you are able to render central station service?

A. You mean to our subscribers here in Detroit?

Q. Yes, sir.

A. Twenty-five, thirty miles.

Q. Are these suburbs within the radius within which you are able to render central station service?

A. Yes.

Q. Have you heard of the Superior Potato Chip Company?

A. Yes.

Q. Is that a subscriber——

Mr. Levy: (Interposing) Excuse me. Before you proceed along this line, may we have about a two or three-minute break?

(A recess was thereupon taken.)

[fols. 6974-6975] Mr. Fritz: I'll withdraw that last question.

By Mr. Fritz:

Q. Do you have membership in any trade associations, sir?

A. Yes.

Q. What is the name of that association?

A. National Burglar and Fire Alarm Association.

Q. Would you describe to me the membership of that Association?

A. The Association is made up of independent burglar

and fire alarm companies throughout the United States. As a matter of fact, I shouldn't say throughout the United States. I mean throughout the United States and Canada, South America, as well as over in Hawaii.

Q. It includes in its membership companies which engage in central station as well as local alarm service?

A. Yes.

* * * * * * *

[fol. 6976] Q. Do you ever cut your standard price?

A. Sure. If I want the business, I do.

Q. Do you ever submit a second bid or a revised bid?

A. Yes.

Q. Do you ever submit a revised bid because you know that a certain competitor came in with a price and then you submit a bid to meet his price?

A. In some cases, yes.

* * * * * * *

[fols. 6977-6979] Q. When did you enter the central station business?

A. Roughly, I would say 1950, '49 or '50.

* * * * * * *

[fol. 6980] Q. Have you lost customers, to your knowledge, because you could not provide accredited fire alarm services from your central station?

A. Yes.

Q. Would you elaborate on your answer a little bit, please?

A. Well, in the first place, anyone installing a fire alarm system can get a substantial discount from the insurance companies, provided the fire alarm has been installed and is being maintained and monitored by an approved fire alarm company. Just the same as if you had an approved burglar alarm company and issued a certificate, they can get the discount for it.

Our company is not in the position to get that approval from the laboratory primarily because of cost, for one thing; but we have had many people call us and ask for it, but we have had to just tell them that we can give them

the service, but we can't give them the credit which is required in many cases.

Q. As a result, do you lose a lot of these potential customers?

A. Yes.

Q. Do you find that there are potential subscribers who are interested in both fire alarm and burglar alarm services as a unit on their particular premises, and that since you cannot provide accredited fire alarm, you also lose the [fols. 6981-6982] burglar alarm services?

A. Yes.

Q. Does that happen?

A. Yes, quite frequently.

Q. Are you familiar with the requirements which must be satisfied in order to be in a position to offer accredited fire alarm central station service?

A. Yes.

• • • • • • •

[fol. 6983] By Mr. Levy:

Q. Now, can your company compete effectively for fire alarm subscribers with a central station company which is fully accredited to provide all of the central station fire alarm services?

A. No.

[fol. 6984] Q. Would you elaborate, please?

A. Well, anyone that puts in a fire alarm system does so for the prime purpose, in the majority of cases, to effect a savings on their insurance; and I could put in the finest burglar alarm or finest fire alarm system in the world, if I can't get a certificate on it or make it an accredited system, it is useless, it is worthless to them.

• • • • • • •

By Mr. Levy:

Q. Now, I believe you have testified, Mr. Houghton, [fol. 6985] that your company does not provide accredited central station burglar alarm service.

A. That's right.

Q. Are you familiar with the requirements of the Under-

writers Laboratories for certification of those types of service?

A. Yes.

Q. Would you state them, please?

A. Well, we would have to have a direct connection to the Police Department, a supervised line to the Police Department. We would have to have two operators, maintain two operators, in our operating office at all times. We would have to have Underwriters' approved equipment in our office in order to comply.

There was some question as to the extent of fire protection that they would require for the building. They didn't go into that completely. In other words, if we wished to apply for it, they would make a survey at a considerable sum of money to give us their direct requirements; but they did tell us a few of the things that we would have to do. We do not feel that there is enough business to warrant putting on the additional operator, keeping two operators on; so that is one reason why we do not carry a central station certificate.

Another thing is that we can install an Underwriters' approved Grade A system and connect it to our central station, issue a Grade A local certificate, which entitles [fol. 6986] the customer to almost as much credit as he would get with a central station system.

* * * * * * *

[fols. 6987-6990] By Mr. Levy:

Q. Has your company, Mr. Houghton, to your knowledge, ever secured as a local burglar alarm subscriber a customer who formerly utilized central station burglar alarm service?

A. Yes.

Q. I speak of the last ten years.

A. Yes. There are occasions where customers that have our central station now and because of business conditions have had to revert to a local burglar alarm because they couldn't afford the central station.

* * * * * * *

[fol. 6991] My Mr. Levy:

Q. Would you state, Mr. Houghton, whether local alarm companies offer effective competition to fully accredited central station companies, in your opinion and based upon your knowledge of the business here in the city of Detroit?

Mr. Fritz: I object to the form of that also.

By Mr. Levy:

Q. And I am speaking solely of local alarm companies now.

A. It all depends on who—I would say yes. Oftentimes a man can provide good local protection in competition with central station, especially to the man who is opening up and can't afford central station.

• • • • • • •

Q. Let me qualify——

Mr. Fritz: (Interposing) Let him finish his answer.

Mr. Levy: I'm sorry.

A. In other words, he can't afford central station, so he has to buy a local alarm. The local alarm, as I stated before, does provide good protection against burglary, but no supervision.

By Mr. Levy:

Q. Now you were speaking of the smaller——

A. (Interposing) Speaking of smaller businesses.

Q. Where the financial status of the potential customer is such that the local appeals more to him than a central station simply because of price; is that correct?

Mr. Fritz: If it is a question, I object to it.

A. Generally. I have this to backfire it: Kresge is not a poor company, and yet they are using local alarms.

• • • • • • •

[fol. 6992] By Mr. Levy:

Q. Could you do this for me, Mr. Houghton: Based upon your experience in the business, could you tell me—and again speaking in most cases—what the average sizes of the businesses of your local and central station subscribers are as compared one to the other?

Mr. Fritz: I object to the form of the question as vague and indefinite.

By Mr. Levy:

Q. Do you understand my question, Mr. Houghton?

A. Yes. It is very difficult to answer, because, in the first place, I don't know whether you are thinking in terms of a company that is worth one hundred thousand or whether you are thinking of a company that is worth fifty thousand or five thousand.

Mr. Fritz: I renew the objection, and I gather Mr. Houghton joins me.

A. It is difficult to answer along that line, because if I would say a merchant that has a small single store, a retail merchant, in comparison to a man in the wholesale business——

Q. (Interposing) I'm speaking of most cases, Mr. Houghton, and not the exception, but rather the rule.

Mr. Fritz: I object to the form of that also.

[fol. 6993] A. I would say the small retail merchant that has a small grocery store, drug store, a drycleaning establishment, candy stores, places of that nature, are logical local burglar alarm customers. That is, they usually are. When you get into something like a department store, where their merchandise is more valuable and they have a large double store or occupy a whole building, then they become conscious of the fact that they need more protection than they have with the local alarm. It isn't always the case. We refer to some of these, Miracle Mart, Kresge, cases of that kind, that use local burglar alarms.

Q. Is it generally the case?

A. Generally the smaller merchant is a local burglar

alarm customer, and they don't generally buy central station. They can't afford it, in many cases.

The larger concerns usually are interested in central station service.

• • • • • • •

By Mr. Levy:

Q. Which is the more costly of the two services: local or central station? And again we speak in general terms.

A. For the same size job, central station, of course.

Q. How much more costly is the same size job?

[fols. 6994-6995] A. An installation in our case would run $65 more.

Q. As compared to?

A. As compared to a local alarm.

Q. What would the local alarm installation be, speaking now of a hypothetical case, of the same size?

Mr. Fritz: I object.

A. Let's say we got a local burglar alarm that costs $100, and if the same customer wanted a central station, I would put it in for him for $165.

Q. And your service charge?

A. The service charge on a hundred-dollar burglar alarm would run eight dollars a month.

Q. That would be a local?

A. That would be local. With a central station, it could run up to $21 a month.

• • • • • • •

[fols. 6996-6998] By Mr. Levy:

Q. Does ADT provide local burglar alarm service here in the city of Detroit?

A. Yes, under the name Reliance Alarm.

Q. In speaking of these instances where ADT has been cutting its price, as you have testified, is it the Reliance Company you are meeting in most of these cases?

A. As a local alarm, yes.

Q. Do you meet ADT, and I speak also of Reliance when I use that term, more frequently on a local or central station basis?

A. I meet them equally as much in either one.

• • • • • • •

[fol. 6999] Q. Now, you mentioned on your direct examination that you protected some factories, supermarkets, with local alarm systems. Is that correct?

[fols. 7000-7002] A. Yes.

Q. Are many of your local burglar alarm subscribers factories, warehouses?

Mr. Fritz: I object to the form.

A. Not many of them.

By Mr. Levy:

Q. Approximately how many?

A. Speaking of factories, I'm referring to tool shops and manufacturing places, where they manufacture. We have, oh, I would say maybe twenty or thirty of the small tool shops and manufacturing places that do use local burglar alarm systems. They may be in congested areas, where there are watchmen and other reasons for it. The same thing is true with some of these warehouses where a local alarm will do what they want.

Q. You mentioned that the City of Detroit permitted the connection of auxiliary systems to the municipal lines. Is that correct?

A. Yes.

Q. I believe you also testified on your direct examination that such companies as Ford and Chrysler utilized auxiliary systems.

A. Yes.

• • • • • • •

[fol. 7003] Q. You mentioned on your direct examination, [fol. 7004] Mr. Houghton that you protected banks in the city of Detroit.

A. Yes.

Q. Could you state how many?

Mr. Fritz: I believe he did.

A. Well, yes. As near as I can count them up right now,

I would say we have about ten or twelve of the banking companies in Detroit. This does not include credit unions, finance companies, and others, because there are a number of credit unions and finance companies also, but I'm thinking of the large chain or banks that have a number of branches—if that answers your question. I think that's what you wanted.

By Mr. Levy:

Q. Yes, thank you.

Have you ever attempted to purchase protection devices from the American District Telegraph Company?

A. No.

Q. Are you familiar with the devices utilized by the American District Telegraph Company in providing protection services here in the city of Detroit?

A. Yes.

Q. Have you ever experienced any difficulties in attempting to acquire protection devices for use in your business?

A. No.

Q. Any delays in receiving equipment?

A. No. That is, there are normal delays, but I wouldn't say——

Q. (Interposing) You feel that the prices charged for [fol. 7005] the various types of equipment utilized in your business are reasonable ones?

A. Yes, I think so.

Q. Would you like to have the opportunity to purchase equipment from the American District Telegraph Company at competitive prices?

Mr. Fritz: I object to that question.

A. No, I don't think I would buy from them, anyway.

* * * * * * *

[fol. 7006] DEFENDANTS' EXHIBIT 7 TO EXHIBIT W12a

AUTOMATIC ALARMS CO., INC.
8315 Linwood Avenue, Detroit 6, Michigan

Profit and Loss Statement for year Ending December 31, 1961

Revenue:		
Non-Reoccurring	$ 33,695.33	
Reoccurring	127,170.76	
		$160,866.09
Cost of Sales:		
Material	16,279.30	
Labor	48,269.54	
Leased Wires	18,169.15	
		82,717.99
Gross Profit		78,148.10
Operating Expenses:		
Auto & Truck	9,108.17	
Advertising & Business Promotion	2,740.75	
Pension Plan	4,500.00	
Bad Debts & Collection Expenses	607.56	
Business Taxes	4,455.61	
Depreciation	7,959.15	
Executive Salaries	33,540.00	
Insurance	4,669.51	
Interest	69.58	
Rent	2,400.00	
Office	4,635.92	
Shop	1,873.79	
Miscellaneous	764.05	
		77,324.09
Net Profit		$ 824.01

[fol. 7007] DEFENDANTS' EXHIBIT 8 TO EXHIBIT W12a

AUTOMATIC ALARMS CO., INC.
8315 Linwood Avenue, Detroit 6, Michigan

Statement of Income & Expense for year Ending December 31, 1960

Gross Revenue		$151,641.96
Direct Expenses:		
Material	$ 21,667.00	
Labor	45,212.80	
Leased Wire	16,218.33	
		83,098.13
		68,543.83
General Expenses:		
Advertising	1,958.46	
Accounting & Legal	125.00	
Auto	7,727.10	
Business Activities Taxes	417.50	
Bad Debts	332.22	
Commissions	33.00	
Depreciation	7,839.70	
Collection Expenses	300.38	
Dues, Subscriptions & Memberships	489.52	
Executive Salaries	33,540.00	
Insurance—General	1,775.02	
Insurance—Hospitalization	1,935.29	
Office	2,071.65	
Rent	2,400.00	
Shop	1,293.06	
F.I.C.A. Taxes	1,684.95	
M.E.S.C. Taxes	525.67	
Taxes	1,049.75	
Telephone	2,587.40	
Tool Replacement	646.75	
Travel & Entertainment	1,885.21	
Use Tax	579.56	
Pension Plan	2,600.00	
Interest	29.17	
Federal Unemployemt Taxes	127.82	
Miscellaneous Expenses	1,319.87	
		75,274.03
Net Loss		6,730.20

[fol. 7008] DEFENDANTS' EXHIBIT 13 TO EXHIBIT W12a

AUTOMATIC ALARMS CO., INC.
8315 Linwood Avenue, Detroit 6, Michigan

Profit & Loss Statement for Year Ending December 31, 1955

Gross Sales		
Non Reoccurring Revenue	$ 19,184.31	
Reoccurring Revenue	66,298.96	
Total Gross Sales		$ 85,483.27
Less Cost of Sales		
Material	8,977.85	
Labor	24,232.39	
Conductor Expenses	8,634.27	
Total Cost of Sales		$ 41,844.51
Gross Profit		43,638.76
Less Expenses:		
Salaries—Executive	$ 27,540.00	
House Expense	176.12	
Rent	2,100.00	
Advertising	242.39	
Telephone	1,336.31	
Office Expense	384.00	
Miscellaneous & Maintenance	1,248.72	
Insurance—Hospital	345.01	
Insurance—General	1,468.10	
Taxes	645.52	
Accounting & Legal	730.00	
Auto Expense	2,906.03	
Depreciation	6,512.20	
Social Security Expense	761.84	
Michigan Unempl. Expense	85.50	
Discounts	35.96	
Total Expense	239.98	
Dues & Membership	15.00	
Postage	120.00	
Specific Tax	215.00	
Use Tax	119.69	
Total Expenses		$ 47,227.37
Net Loss		−3,588.61

[fols. 7009-7011] DEFENDANTS' EXHIBIT 14 TO EXHIBIT W12a

AUTOMATIC ALARMS CO., INC.
8315 Linwood Avenue, Detroit 6, Michigan

Profit and Loss Statement for Six Months Ending June 30, 1962

Revenue:		
Non-Reoccurring	$ 25,243.16	
Reoccurring	66,357.84	
		$ 91,610.00
Cost of Sales:		
Material	14,543.82	
Labor	27,298.79	
Leased Wires	8,989.43	
		50,932.04
Gross Profit		40,668.96
Operating Expenses:		
Auto & Truck	3,192.48	
Advertising & Business Promotion	1,415.44	
Pension Plan	2,400.00	
Bad Debts & Collection Expenses	252.15	
Business Taxes	2,618.06	
Depreciation	3,900.00	
Executive Salaries	18,060.00	
Insurance	2,068.16	
Rent	1,200.00	
Office	2,668.34	
Shop	1,100.50	
Miscellaneous	483.21	
		$ 39,358.84
Net Profit		$ 1,310.12

[fols. 7012-7013] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT W13a

IN THE UNITED STATES DISTRICT COURT IN AND FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION, et al., Defendants

Be It Remembered that, pursuant to notice and subpoena, and on Thursday, the 9th day of November, 1961, commencing at the hour of 10:00 o'clock A.M. thereof, in the offices of Messrs. Pillsbury, Madison and Sutro, 225 Bush Street, San Francisco, California, before me, HOLMES CHRISTIAN, a Notary Public in and for the City and County of San Francisco, State of California, there personally appeared EVERETT A. WESTPHAL, called as a witness herein, who, being by me first duly sworn, was thereupon examined and interrogated as is hereinafter set forth.

* * * * * * *

[fol. 7014] Examination by Mr. Fritz.

Mr. Fritz:

Q. Mr. Westphal, will you kindly state your full name and your residence address.

A. Everett A. Westphal, 3518 South Silver Springs Road, Lafayette, California.

Q. Where is Lafayette, California?

A. It's east of Oakland, about ten miles.

Q. What is your occupation, Mr. Westphal?

A. Manager of Bay Alarm Company.

Q. What is the nature of the business of Bay Alarm Company?

A. Well, installation and maintenance of alarm systems, primarily local alarm systems.

Q. When was that business established?
A. January 1946.
Q. In addition to being the manager, are you the owner of that business?
A. Yes, I am the President.
Q. President?
A. Of the corporation, yes.
Q. When was it incorporated?
A. March 1960.
Q. Prior to that time what had it been, a registered trade name?
A. It was the same name, but I was the sole owner.
Q. Did you say 1946, or '47?
[fol. 7015] A. '46.
Q. Prior to that time had you had any experience in this field of protective service?
A. Yes.
Q. What experience?
A. Oh, seven or eight years.
Q. With whom?
A. With companies in Los Angeles.
Q. What companies were they?
A. The U. S. Burglar Alarm, and Dreiss Alarm.
Q. Dreiss?
A. D-r-e-i-s-s.
Q. They were both companies or organizations engaged in the rendition of protective service, were they?
A. Yes.
Q. Here in San Francisco?
A. No, Los Angeles.
Q. Both of them in Los Angeles?
A. Yes.
Q. What was the nature of your experience with those two companies? What kind of work did you do?
A. Well, at U. S. Alarm, I did office and shop work and dispatching.
At Dreiss, I was a partner and I did installation and service work and shop work.
Q. Was Dreiss engaged in purely local burglar alarm [fol. 7016] service?
A. Primarily, yes.
Q. What is the place of business of Bay Alarm Company?

A. What is the place of business?
Q. Yes, what is the address?
A. You mean the address of it?
Q. The address of it.
A. 1825 Marin Way, Oakland.
Q. Has Oakland been the center of your business activities in rendering protective service since 1946?
A. Yes.
Q. When you began in 1946, were there any other companies engaged in rendering protective service in that same area in Oakland?
A. Yes.
Q. What companies were then rendering protective service?
A. Well, A.D.T., American Burglar Alarm, and one went into business the same time I did and went out of business, but I forgot the name. They were in the business for a couple of years.
Q. Local?
A. Yes. Paramount Burglar Alarm Company was the name.
Q. You said that your business was essentially that [fol. 7017] of providing local burglar alarm service as I understood you. Is that correct?
A. Yes.
Q. I take it from that, that you do furnish some other type of protective service. Is that correct?
A. Well, some, yes.
Q. What type is that?
A. We run them into police departments and answering services.
Q. The type of service that is rendered through a connection with a police department, is that in the nature of the burglary protective service?
A. Yes.
Q. Is that what you refer to as direct connected service?
A. Yes.
Q. You have another type which you say is connected with a telephone answering service. Is that also burglary protective service?
A. Yes.
Q. Is it correct to assume, as I am now, that your busi-

ness consists entirely of burglary protective service of one kind or another?

A. Ninety-nine plus per cent. We have one fire alarm.

Q. Is that local in character?

[fol. 7018] A. No, it runs into a fire department.

Q. As of the present time, approximately how many customers do you have for the strictly local burglar alarm service?

A. Around seven hundred.

Q. By "local burglar alarm service," I take it you mean the kind of service which is rendered through the installation of actuating devices or a burglar alarm on a subscriber's premises, and which gives the alarm solely on the premises in case of intrusion. Is that right?

A. Yes.

Q. You have already described for me direct connected service.

Will you tell me what the nature of the arrangement is in connection with the telephone answering service that you mentioned.

A. Well, when the light goes on, they phone the police department.

Q. I suppose—and you correct me if I am wrong—that to begin with there is equipment, actuating devices, installed on a subscriber's premises?

A. Yes.

Q. Connected with the telephone answering service through the use of a leased telephone line?

A. Yes.

Q. In the case of a signal emanating from a subscriber's [fol. 7019] premises, that signal is recorded in the telephone answering service. Is that correct,

ing service. Is that correct?

A. Well, I don't know if you would call it recorded.

Q. It appears on some kind of receiving panel. Is that correct?

A. Yes, the light goes on.

* * * * * * *

[fol. 7020] Q. I asked you to describe for me how this telephone answering service worked, and we got up to the point where you agreed that an alarm is registered on

some kind of a panel in the telephone answering office. Right?

[fol. 7021] Then, my question was: What happens when that signal is received in the telephone answering office?

A. They phone the police department.

Q. How many subscribers or customers do you have for the type of burglary protective service which we refer to as direct connected?

That is, a direct line between a subscriber and the police department.

A. Oh, somewhat around a hundred or less. Right close to a hundred.

Q. That is exclusive of the seven hundred of purely local?

A. Yes.

Q. How many that are tied in to the telephone answering service?

A. Oh, I don't know.

Q. Approximately.

A. Well, I would guess we have thirty-five to forty of them into answering services.

Q. Since 1946 has the number of your customers increased year by year in these various categories of service, both local, direct connected and telephone answering service?

A. Well, I started with one. Yes, that increased.

Q. Just going back to '55 or '56, approximately how many local customers did you have in those years, [fol. 7022] around 1955?

A. Well, we increased about fifty a year.

Q. About fifty a year going back how far, would you say?

A. Well, since we started.

Q. With respect to direct connected, what has been the annual rate of increase? You have a hundred now.

A. Well, it would be about the same ratio.

Q. Telephone answering?

A. Same ratio.

Q. Approximately what is your total gross annual revenue from all types of service?

A. Gross annual revenue in——

Q. Yes, take 1960, for example.

A. Between eighty and ninety thousand dollars.

Q. Percentagewise, what part of that revenue is represented by the revenue from your local burglar alarm service?

A. Oh, I would guess a good solid eighty per cent.

Q. Would your direct connected service represent perhaps twelve or fifteen per cent?

A. Well, I would guess so. Offhand, that is. I haven't figured it out.

Q. Would that be a fair approximation, would you think, with five or possibly ten per cent——

A. I would say ten to fifteen per cent.

[fol. 7023] Q. Leaving the balance for the revenue for the telephone answering service?

A. Yes.

Q. What was the approximate gross annual revenue of your business five years ago, say, 1955-'56, a figure comparable to this $80,000 or $90,000 for the year 1956?

A. Oh, I don't know. I guess about two-thirds of that.

Q. Would the proportions of that two-thirds figure, percentagewise, for each of the different type of services as you gave it to me before apply?

A. Well, I would think so.

Q. I take it from what you said before that we have covered completely all of the different types of services that you furnish, practically all burglary with the exception of one fire protective service. Right?

A. Uh-huh.

Q. Do you still have as subscribers to your local burglar alarm service numbered among those seven hundred many subscribers who came to you as such in the very early years of your business, say, in '46?

A. Oh, yes, we still have some of those.

Q. Do you still have the number one customer?

A. Yes.

Q. By that, I mean the first customer you ever had.

A. Yes.

[fol. 7024] Q. Is your service rendered under forms of a contract, Mr. Westphal?

A. Yes.

Q. Have you produced here sample forms of your contracts?

A. Yes.

Q. May I see them, please.

I suggest that these be marked for identification.

(Thereupon, a group of documents produced by the witness, was marked as Defendants' *Exhibits Nos. 1 through 5*, respectively.)

By Mr. Fritz:

Q. I see there are two forms here which are headed "Installation Order and Service Contract."

Do they relate to different types of services?

A. No.

Q. Are they different forms that from time to time have been used?

A. That is the progression of forms I use to sign up —I used—to sign up customers from the earliest time on to the latest time.

Q. I show you Defendants' Exhibit 1 for identification, which is the very top one.

Is that a current form of contract?

A. No. Well, it's current; we still have some of those on file.

Q. You have subscribers who are receiving service [fol. 7025] under that form of contract. Right?

A. Who did sign those contracts.

Q. Underneath that, Defendants' Exhibit 2 has the same heading, but it seems to be somewhat different in content.

Is that the current form that you are using?

A. When I sign up a new customer now, I use the last form on there.

Q. This one?

A. No.

Q. Will you pick it out and show me what form of contract you are currently using when you sign up a new subscriber.

A. This one.

Q. Thank you. The witness indicates the form which has been marked Defendants' Exhibit 4 for identification.

Does this contract that you just referred to, which I made note of on the record, provide that title to the equipment installed on subscriber's premises shall remain the property of your company?

A. That is the way I interpret it.

Q. Has that been a provision of your contracts ever since you have been in business?

A. Well, I've tried to make it that way.

Q. What is the usual period or duration of your contract for local burglar alarm?

[fol. 7026] A. Well, I try to get them for at least a year. I'm usually successful. Sometimes they holler loud enough so I make it for less than a year.

Q. Are those subscribers whom you had from the very earliest years, though, including subscriber number one—have they continued to receive your service under the original form of contract which you made with them?

A. Yes. I don't recall that I ever went out to sign a new contract with them.

Q. I see here a form which has been marked Defendants' Exhibit 5 for identification, which is entitled, "Sales Contract For Notifier Equipment."

Are you an agent for Notifier in Oakland?

A. I was.

Q. You are not now?

A. No.

Q. How long were you?

A. A couple months.

Q. I take it during that period you were engaged in selling or trying to sell one or more of the types of equipment that is listed in this form of contract. Is that right?

A. Yes.

Q. Notifier, if I understand correctly, is a Nebraska company. Is that right?

A. I don't know.

[fol. 7027] Q. They are in the business of supplying equipment used in the rendition of protective service. Is that right?

A. Fire alarms, as far as I know.

Q. Isn't this a form of protective service?

A. Yes.

Q. Is the burglary protective service which you furnish in any of its aspects certified or approved burglary protective service?

A. We are a listed company for local premises alarm systems, Grade "A", local premises.

Q. Does that mean that the devices which you use in

connection with furnishing local burglar alarm service have the approval of the Underwriters Laboratory?

A. Yes.

Q. It follows from that, does it not, that your subscribers to that type of service, Grade "A" that you mentioned, receive a certificate and are entitled to an insurance premium discount. Is that correct?

A. Yes.

Q. Is that true of all of your seven hundred local burglar alarm subscribers?

A. No.

Q. Of what proportion is it true, percentagewise, approximately?

A. Between one and two per cent.

[fol. 7028] Q. Are approved?

A. Yes.

Q. How about your direct connected service to your hundred subscribers? Is that an approved or certified type of service?

A. No.

Q. How long have you been engaged in furnishing the direct connected type of service?

A. Oh, I don't know. Fifteen years, I guess.

Q. In what areas is that? That is, what municipalities is it that you provide that direct connected service in?

A. Well, the East Bay Metropolitan Area, or, Alameda and Contra Costa Counties.

Q. Are there small municipalities within those two counties that you just mentioned?

A. Yes.

Q. In those municipalities are located the subscribers for whom you render this service. Is that right?

A. Yes.

Q. What are those municipalities in which you render these services?

A. You mean the names of the municipalities?

Q. Yes.

A. Well, there is Hayward, San Leandro, Concord, [fol. 7029] San Pablo, Richmond, Livermore. That's all I recall.

Q. Are your thirty-five subscribers who receive service which is connected through the telephone answering service—do they receive approved or certificated service?

A. No.

Q. Do they receive the same discount that local burglar alarm service of the certified type receives?

A. No, not that I know of.

Q. You would know if it were a fact, would you not?

A. Not necessarily.

Q. Why is that?

A. Well, the customer isn't bound to tell me that he gets a discount for something I do.

Q. In other words, you are not in a position really to know in fact whether your subscribers get discounts, or, if they do, how much they get. Is that right?

A. That's right.

Q. What are the various categories of establishments or institutions to which you furnish service, Mr. Westphal? Do you understand my question?

A. The types of businesses, you mean?

Q. Yes, just generally.

A. Small retail.

Q. Such as liquor stores?

A. Yes.

[fol. 7030] Jewelry stores?

A. Yes.

Q. Clothing stores?

A. Yes.

Q. Pawn brokers?

A. Yes.

Q. Residences?

A. Oh, a few. We've got three or four house jobs.

Q. Any industrial plants?

A. Some.

Q. Warehouses?

A. A few.

Q. Any government installations?

A. We have one we service, but we don't retain ownership on it.

Q. Where is that located?

A. In Oakland.

Q. What is the nature of that government installation? I mean, is it a military installation, or is it a government warehouse, or what is it?

A. Well, this isn't even a burglar alarm. This just tells them if they open the door in the daytime.

Q. I was interested first in knowing what is the nature of the government property that is being protected.

A. It is an office building.

Q. A government office building?

[fol. 7031] A. Yes.

Q. What is the name of it?

A. Well, the people we get the checks from is San Francisco Ordinance District. Now, what it is, I don't know.

Q. Have you ever seen the building?

A. Yes.

Q. Is it what seems to be a large office building?

A. Well, it's six or seven stories.

Q. How long have you had that?

When did you furnish that equipment for that use in that building?

A. Three years ago.

Q. Will you describe briefly what the nature of the installation is and how it functions.

A. We have some doors to elevator shafts contacted.

Q. That means the installation of electrical contacts, and upon disturbance it creates a signal which is received somewhere. Is that right?

A. Yes.

Q. Go ahead.

A. Then, we have a panel up on the—I don't know, the seventh or eighth floor. If somebody opens those doors, it lights the light up there.

Q. Is that what is known in protective service industry parlance as a proprietary system?

[fol. 7032] A. I don't know.

Q. What do you call it?

A. Well, I don't know what we call it. We just have some doors contacted. If they are opened it causes an alarm up there. I don't know what you call it.

Q. Is it a local system?

A. Well, it's within the building.

Q. The only place that an alarm is created is within the premises of the government building, whatever that building is. Is that correct?

A. Yes.

Q. Do you have a maintenance contract for the keeping of that equipment in working order?

A. Yes.

Q. What does that contract require you to do, or, what do you do under that contract?

A. Whatever is necessary to keep it in operation.

Q. You make periodic inspections?

A. Yes.

Q. Is it still in effect today?

A. Yes.

Q. Is that the only installation that you know of that your company furnishes for the protection of government property in the area of your operations?

A. That's right.

Q. Do you furnish any protective service to subcon- [fol. 7033] tractors of the government which are required, for security reasons—subcontractors, who manufacture or produce——

A. No, we just bid on them; we never get them. We just bid on them.

Q. You bid on them, but you don't get them?

A. A. D. T. gets them.

Q. I beg your pardon?

A. A. D. T. gets them.

Q. How many instances of that have there been where you have bid and have not gotten the contract?

A. Oh, I don't know. Six to ten.

Q. Are they of the type I mentioned; subcontractors who do government work, or, are they actually government buildings that are looking for protection?

A. Well, this is generally—you make an estimate to a subcontractor or to a contractor.

Q. Do you recall any of the instances?

This is, by customer name do you recall where you have made a bid and have not gotten the contract, but A. D. T. has, of that type?

A. We made one. Who the subcontractor was, you mean?

Q. Yes.

A. Well, I have the—very often, I don't find out. I make a bid to an electrical contractor who doesn't know [fol. 7034] he gets the job. He doesn't know that, when I make the bid to him. He's making a bid also. Then, that's very often the last I hear of it. I don't know who got the job.

Q. By "electrical contractor," what do you mean? Do

you mean an electrical contractor who is making a bid in the circumstances?

A. Well, this generally comes under the electrical field, so the electrical contractor gets the bid from us to do this portion of the work.

Q. Do you know of any instance in which you can give me the name and the approximate time or the circumstances where you have made such a bid and didn't get it, but A. D. T. did?

A. Well, they got one about a year ago, over here in Alameda.

Q. What was the nature of that business?

A. I think it was Naval Supply. It was through some electrical contractor down in San Leandro there somewhere. I had made a bid to one electrical contractor, and he said, "Gee, that sounds real good. That's less than A. D. T.'s."

He had gotten a bid from A. D. T., and I said, "Well, that's good. We'd like to do some of this work. We get tangled up in it often, but we never seem to get it."

So, he says, "Well, that sounds real good."

[fol. 7035] I called him up—I don't know, afterwards—after the bid was supposed to have been awarded.

He says, "Well, I didn't get the job. So-and-so got it."

I called him up and I said, "I hear we put in a low bid on that."

"No, no, no, A. D. T. put the low bid in. A. D. T. got it."

Q. You mean by that, you called up the electrical contractor who got the bid?

A. Yes.

Q. He told you that he got the bid for the electrical contract work, and A. D. T. got that portion of it that related to the protective system. Is that correct?

A. Yes.

Q. What kind of system were you bidding on there?

A. Outside photoelectric cell, proprietary. Well, as you call it proprietary. This was to be on their premises.

Q. Not connected with a central station?

A. No.

Q. That was a Naval Supply Depot?

A. It had to do with the Navy, but I don't know which branch of the Navy it was. It was an outside yard that

[fol. 7036] they had to have—I don't know. It seems to me eight outside photocells, and then a receiving panel.

Q. By "outside photocells," do you mean photo-electric equipment which would be installed on the exterior of the premises somewhere, so as to give warning?

A. Well, it was within a fenced area.

Q. Within a fenced area?

A. Yes.

Q. The installation would be outside the building itself, or would it be within the building?

A. Yes.

Q. Outside?

A. Outside.

Q. So as to give warning of anybody who attempted to get in. Is that right?

A. Yes.

Q. It was intended that such an alarm, if given, would be received on some panel inside the protected premises. Right?

A. At the guard station.

Q. At the guard station?

A. I think it was.

Q. Do you remember when it was that this took place, that you have been telling me about?

A. Oh, it seems to me this is about a year ago.

Q. Have you actually gotten any contracts for protective [fol. 7037] services through electrical contractors in connection with any government property, for a government project?

A. Well, I don't know if you would call it a government—we did some work for Sandia Corporation. That is not government; that is private. Other than that one in that San Francisco Ordinance, I don't know. I think that's the only one we ever got.

Q. Approximately what is the radius of your operations, geographically, from Oakland?

How far does it run in any direction?

A. Oh, twenty-five to thirty miles, except we don't operate on this side of the Bay.

Q. On this side? What do you mean by that?

A. The San Francisco side.

Q. Do you have a staff of employees?

A. Yes.

Q. How many do you have?

A. Five.

Q. Is that more or less than you had five years ago?

A. It's one more.

Q. Are there presently other companies, and have there been during the past five years, engaged in the furnishing of various types of protective service in the areas where you operate?

A. Yes.

[fol. 7038] Q. What companies are those?

A. Do you want me to name them?

Q. If you will.

A. Well, there's Bell Burglar Alarm in Richmond, Bell Burglar Alarm in Hayward, Kask Alarm Corporation in Oakland. There's two alarm companies in Oakland, American Burglar Alarm operates in Oakland, and this is for the entire area. I think that's it.

Q. Does A. D. T. operate in that area?

A. Well, yes.

Q. What kind of service does Bell Burglar Alarm Company provide?

A. They all do the same as we do.

Q. Do they do anything in addition to what you do?

A. Well, not that I know of.

Q. All of these companies are engaged in the furnishing of local burglar alarm service——

A. Yes.

Q. (Continuing.)—and have been for the last five or six years?

A. Yes.

Q. Are any of these companies that you mentioned fairly recent entrants into the field of protective service?

A. One of them is; about a year ago.

Q. Which one is that?

[fol. 7039] A. Tru-Alarm.

Q. True?

A. T-r-u.

Q. I take it that Bell, Kask and American Burglar have come into the field—or, rather, Bell and Kask have come into the field after you have. Is that right?

A. Yes, about three or four years after I did.

Q. Do you manufacture the equipment which you use

in the rendition of burglar alarm service, or do you purchase it?

A. We purchase it.

Q. What are the names of the suppliers from whom you purchase your equipment?

A. Oh, Alarm Device and Bright Star Battery.

Q. Alarm Device is known as Ademco, isn't it?

A. Yes.

Q. This is a New York company?

A. Uh-huh.

Q. Any others?

A. That's the bulk of it.

Q. I suppose under your service contracts—and I haven't examined them, but perhaps you can tell me this—you make an installation charge and a service charge, do you?

A. Well, yes. We try to get an installation charge.

Q. You say you try to get an installation charge.

[fol. 7040] Are there some circumstances where you provide burglar alarm service and don't get an installation charge?

A. Oh, it happens occasionally.

Q. Generally speaking, do you get one?

A. Generally speaking, yes.

Q. In making up an installation charge—I am not asking you now about how much—what are the elements that you take into consideration in the making up of that installation charge?

A. Labor time involved, and we attempt to get a portion of the cost of the equipment back.

Q. The portion of the equipment that you attempt to get back, is that represented by that portion of the equipment on the subscriber's premises which normally is not recoverable at the termination of a contract?

A. Yes.

Q. By the way, what has been the practice of your company with respect to the removal of equipment from subscribers' premises upon termination of a contract?

Do you remove it?

A. As a general rule we do, if we can get in the place. Sometimes they're closed up. Very often they are closed up and locked up, and you can't get at it to get it out.

Q. Where you can, you do. Is that right?

[fol. 7041] A. Yes.

Q. I take it from one of your prior answers that there are some types of property originally installed which it doesn't pay to remove upon termination. Is that right?

A. Sometimes.

Q. Of what does that consist?

A. Oh, foil——

Q. By "foil," you mean this lead foil that is put around windows and things of that sort?

A. Yes.

Q. Your service charge is made up of what elements?

A. You mean, how do we base the service charge?

Q. Yes, that is right.

A. Oh, generally it depends upon the number of openings there are and the amount of competition.

Q. When you say it depends on the number of openings, I gather you are saying—and if you are not, you correct me—that you more or less have to tailor the amount of service that you provide and also the price you charge according to the subscriber's requirements and what you have to put in. Is that right?

A. Yes.

Q. That differs according to the nature of the premises of the subscriber and his requirements. Right?

A. Yes.

[fol. 7042] Q. Do you find that you encounter competition—and by that, I mean that you find you are bidding against the bids of these various companies that you mentioned before, Bell Burglar, Kask Alarm, True, American Burglar and A. D. T.?

A. Yes. We bid against them.

Q. Beg pardon?

A. Yes, they are very often in on it.

Q. Is it the fact that in connection with all of those companies, in some cases you get the contract of the subscriber and in some cases they get it?

A. Yes.

Q. Do you have in mind at this time any contracts by subscribers' names that you succeeded in getting against bids by A. D. T.?

A. Gee, I don't know. Sometimes you don't know you're bidding against them.

Q. I was only directing my question to those cases where you do know.

A. Well, I got one recently that they bid, that the insurance man said they bid on.

Q. What was that?

A. It was a paint company in Oakland.

Q. A paint company?

A. Paint company.

Q. Is that the name of it?

[fol. 7043] A. Morwear Paint.

Q. What is the nature of service? Is it a local burglar alarm?

A. No, we run it into the answering service.

Q. You got the contract?

A. Yes.

Q. Do you think of any others?

A. No, I don't know of any.

Q. Do you do the selling for your company?

A. Yes.

Q. Would it refresh your recollection if I gave you the name of Dewey and Almy Chemical Company?

A. That's right. Yes, we got that. That was a year and a half ago—two years ago.

Q. That was one in which you succeeded in getting a contract as against efforts by A. D. T.?

A. Yes.

Q. How about Thomas Tenney Music and Records?

A. Yes, that's right.

Q. Were both of those instances of bids for local burglar alarm service, the last two that I mentioned?

A. Tenney, we put in a local alarm system. Dewey and Almy goes to San Leandro Police, direct connected.

Q. How about Alameda Belt RR, whatever that means, in Oakland? Does that ring a bell in your mind?

A. Who?

[fol. 7044] Q. Alameda Belt? How about National Iron and Metal Company?

A. Yes, we got that one.

Q. Did you know that A. D. T. was bidding on that at the time?

A. Yes, I think the guy did say that he had called up A. D. T.

Q. Do you know of any contracts that you recently procured as against bids by Bell Burglar, Kask Alarm, Tru-Alarm or American Burglar Alarm?

A. Well, I would have to go in and think about each one as I sold it to recall if there were, if—you know, if they said that they had gotten the bid, somebody else or not. It's just like these. I had forgotten about these other ones.

Q. You mean you don't have a present recollection that would enable you to answer these questions. Is that right?

A. That's right.

Q. Are you reasonably certain that you have procured contracts as against the bids of those companies that I have mentioned?

A. Well——

Q. Some contracts?

A. Oh, yes, probably have.

Q. I take it, conversely, you have lost contracts to all [fols. 7045-7046] of these companies in bidding against them for subscribers, have you not?

A. Yes.

Q. Do you keep records of the contracts that you lose?

A. No.

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[fol. 7047] Q. You have seven hundred local burglar alarm service subscribers, and you have got your number one man, and you have got many that came with you early in your existence.

Based upon that experience, is local burglar alarm service an efficient means of protection of property?

A. Well, it better be. I've been doing it for sixteen years.

[fol. 7048] Q. In other words, you wouldn't be in business if it weren't so. Right?

A. Yes, I guess so.

Q. Are you a member of any protective service trade associations, so to speak, or societies?

A. Yes. I'm a member of the National Burglar and Fire Alarm Association.

Q. Any other?

A. No.

Q. There are a great many companies and persons en-

gaged in furnishing local burglar alarm service throughout the United States that are members of that association. Isn't that so?

A. Yes.

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[fols. 7049-7050] Examination by Mr. Story.

Mr. Story:

Q. Mr. Westphal, do all of your telephone answering service alarms go into the same telephone answering service?

A. No.

Q. How many different telephone answering service offices do you use?

A. Well, let's see. Five.

Q. Are these five answering services within the confines of one city, or different cities?

A. No, they are different cities.

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[fol. 7051] Q. Do other alarm companies have any alarms run into the same answering service where you have your alarms?

A. Yes.

Q. Would that be the companies you named for Mr. Fritz, generally, in your direct examination?

A. Yes.

Q. Would you have any idea how many of these alarm answering accounts you and the other people would have in the various offices where you operate?

A. How many total alarms?

Q. Yes.

A. Ours and competitions?

Q. Others.

A. Well, as far as I know, of the total customers in [fol. 7052] answering services, we probably have about forty percent of them, and the rest of the companies have the rest of them, have the balance.

I mean, that's the ones that I'm familiar with.

Now, what else goes on, I don't know.

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Q. Does the American District Telegraph Company engage in the local alarm business in the City of Oakland?

A. Well, it's hard to tell. I think they put up a local alarm within the last two or three months in Oakland. I think its a local, but I'm not positive.

[fol. 7053] Q. Do you recall the name of that installation?

A. That's Mory's Liquor. I think it's Twenty-Eighth and Broadway. I don't know the exact address.

Q. Did you bid for the protection account on that liquor store?

A. Yes.

Q. You bid against A. D. T.?

A. Well, they had a central station. They had an alarm service in there which was not local, so the guy called up and I went over there a couple times, and he says, "Well, the A. D. T. contract is going to expire in a month or so, and it costs too much. I just want a local alarm like you have."

So, I told him, "Well, if your contract has expired, I'll bid on it."

Q. Did you submit a bid?

A. Yes.

Q. What was the reason for wanting to change from A. D. T. service?

A. Well, he didn't want to spend the money that it required to keep it in service. He wanted a cheaper service.

Q. Did you get this contract?

A. No.

Q. Who has the contract?

A. Well, A. D. T. I see a local box up there now, [fol. 7054] so they must have it.

Q. Do you know of any other local alarm installations that the American District Telegraph Company has in Oakland?

A. No, I don't.

Q. Mr. Westphal, you mentioned the Lerner Company in your direct examination.

I think it was your testimony that A. D. T. got the protection contract for the Lerner Company. Is that right?

A. Yes.

Q. What happened to your alarm system within these premises?

A. We took it out.

Q. Did A. D. T. connect its system to any of the wires which you had previously established in this building?

A. I don't think so.

Q. Do you plan to take any action concerning your contract which was signed with your company?

A. Yes.

Q. Did A. D. T. contact you concerning the removal of your equipment?

A. No.

Q. What kind of a protection system does A. D. T. have in this building?

[fol. 7055] A. I didn't go out there to pull our stuff, but the fellows that went out say that they have a photocell. I don't know if they have one photocell or two photocells, but they have at least one photocell, and what else they have I don't know.

Q. Is this system a local system or a central station system?

A. I don't know. I presume it's central station, because that's what we had in there. We had it to the answering service, so I'm quite sure it's central station.

Q. Did the owner of these premises tell you why he had taken A. D. T.'s service?

A. Well, no, he never. I could never—I wrote the guy letters, and he wrote letters back, but he never did say that A. D. T.—that he was going to put in A. D. T.

He just said to cancel the service, and then he brought up a side point while I was arguing with him over the phone one day, that he had to wait six or seven minutes for the Police Department to get there when they tripped the holdup button.

Mr. Fritz: In connection with your service?

The Witness: Yes.

Mr. Story:

Q. Did he say that A. D. T.'s service would get the police there quicker?

A. Well, yes, he did. He says he has it in Sacra-

[fol. 7056] mento and they get there within one or two minutes.

Q. That is central station protection service?
A. Yes.

• • • • • • •

[fol. 7057] Q. In your direct examination you mentioned that you obtained the Morwear Paint Company in a competitive bid with A. D. T. Is that correct?

A. A. D. T. had bid on some, I guess, five or six months ago, and I was talking to this paint company's insurance man, and he says, "Say, why don't you go down and see Morwear Paint? A. D. T. gave them a bid, and it's more than they can afford. Why don't you go down and see [fol. 7058] them?"

So, I did, and I got the job, but I have no idea what A. D. T. bid.

Q. What type of alarm system did you put in there?
A. It goes to the answering service.

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[fol. 7059] Q. Let me see if I understand you.

Did you say that the A. D. T. agent told you that they referred a customer to you because they could not afford A. D. T.'s service?

A. Yes. They have told me that.

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[fols. 7060-7061] Q. Mr. Westphal, could you give us any idea as to the size of the business establishments where you usually install your local alarm systems?

A. Well, I'm apt to take a crack at most anything, but generally speaking the bulk of our business is small retail.

• • • • • • •

[fol. 7062] Q. After your company has installed a protection system, when do you obtain your payment for the installation charge?

A. Well, supposedly when we finish the job.

Q. Do you always collect it at that time?

A. Well, we try to. As a rule we're successful.

Q. Do you allow any of these subscribers to pay for the system on an installment plan?

[fol. 7063] A. Yes.

Q. During what period of time do you allow this?

A. Oh, well, that depends on the deal I make with them. Some guy—you put in ultrasonic, you charge them $50 a month for the first year, and after that $15 a month. So, he'd pay for the installation that way.

I'm apt to do anything. I might make it three payments of so much, or I might spread it out over the contract.

Q. Could you give us an idea as to the amount of capital required to go into the local alarm business here in California?

A. Well, that depends on how good a salesman you are, I think, and how much competition you have.

Q. Could you give us any idea as to the amount of capital you had——

A. If I were going to go into the local alarm business now, in this area, I would want to have at least $30,000 capital.

Q. Can you give us any idea as to the amount of capital that was necessary about the time you went into the business in 1946 here in Oakland.

A. Well, I had somewhat over $10,000.

Q. Why would you think that it would require more capital now than it did in 1946 to enter this business?

A. Well, I tell you: They're harder to sell and they've [fol. 7064] been able to buy them. At that time it was right after the war, and there was about half again as many people in Oakland as there are now, and they had more money then, comparatively speaking.

The prices were lower then, and there wasn't the competition there is now.

So, $10,000 capital then was more than $30,000 capital is now, to go into the local alarm business in Oakland.

Q. Do you have any idea as to how much capital would be required to start a central station operation today?

A. I'm worrying about it now. It depends upon the competition.

Q. Have you inquired into that situation?

A. What, the competition or the capital?

Q. The capital.

A. Oh, well, I've thought about it. I've thought about what it would take to go into it, to set up a central station,

and I would just have to get more customers into answering service, and so forth, to carry this load before I can go to a central station.

It costs too much money to operate a central station.

Q. What do you mean by "load," sir—carry the load?

A. Well, I just have to get more revenue in, so I [fol. 7065] wouldn't go broke, because there's no assurance that I would sell any more if I went into the central station business than I do now.

I think my competition would be much more serious. I don't compete too much now with A. D. T., but if I did go into central station, I think my competition would be real serious.

Q. What is your average monthly service charge on a local alarm, sir?

A. Oh, between seven and eight dollars a month.

Q. Do you know what the average central station monthly service charge would be on a burglar alarm system?

A. You mean if I had a central station or——

Q. What the going rate is around here now.

A. Man, no, I can't figure it out.

Q. Have you heard of some of the prices that are being charged?

A. Well, I made a quote the other day—A. D. T. quoted on that too—I don't think either one of us is going to get the job.

They quoted $25 a month on one.

Q. What was your quote?

A. $17.50.

Q. What kind of an installation were you going to put in? [fol. 7066] A. This was a supervisory service on an aluminum melting pot.

Q. Where were you going to supervise this?

A. We were going to run it into the answering service.

Q. Do you know who got the job?

A. No. I called up. I had bid $25 a month, and I refigured it, and in order to get some customers out that way, so I knocked it down to $17.50, and he says A. D. T. had bid $25, but they didn't know for sure if they were going to do it.

They thought they might just have insurance, forget about it.

So, I don't know. This is about a week ago. I don't know what happened.

Q. Mr. Westphal, have any of the representatives of the American District Telegraph Company disparaged the service which your company furnishes?

Mr. Fritz: Object to the form of the question.

Mr. Story:

Q. You may answer.

A. Oh, I don't think that they have made a point of it, except, the only thing I heard about is in this Grand Auto deal here.

Q. What did they say there, sir?

A. Well, that they could handle the account better, and that they did the big ones and we did the small ones.

* * * * * * *

[fols. 7067-7068] Further examination by Mr. Fritz.

Mr. Fritz:

Q. Mr. Westphal, in your experience have some people, to your knowledge, elected to take insurance instead of any kind of protective service?

A. Oh, sure.

Q. Is that a fairly frequent occurrence?

A. Well, I would say it's fairly frequent.

Q. How many times a year would you say you run into that sort of thing?

A. Well, we are out soliciting, and that's the common answer, "I have insurance, why should I have an alarm too, paying to keep the insurance company from having losses?".

Q. You find that the fact that some of these subscribers have insurance deters you from getting your service in. Is that right?

It prevents you from selling your service?

A. Well, I don't know if it prevents me. If I was a better salesman I might be able to sell them even at that.

Q. But you don't in some cases, is that right, because of the existence of insurance?

A. Yes.

* * * * * * *

[fols. 7069-7072] Mr. Fritz:

Q. The fact is that some of these subscribers regard insurance as a satisfactory substitute to them for burglar protective service. Isn't that right?

[fols. 7073-7074] In United States District Court

Defendants' Exhibit W14a

In the United States District Court for the District of Rhode Island

Civil Action No. 2785

United States of America, Plaintiff,

vs.

Grinnell Corporation, American District Telegraph Company, Holmes Electric Protective Company and Automatic Fire Alarm Company of Delaware, Defendants.

Deposition of Morton Baizer, taken on behalf of certain defendants herein, before Louise E. Williams, Notary Public—Court Reporter, at the offices of Morgan, Lewis and Bockius, 2107 Fidelity-Philadelphia Trust Building, Philadelphia, Pa., on Wednesday, November 14, 1962, commencing at approximately 10:00 o'clock A.M., E.S.T.

* * * * * * *

[fol. 7075] MORTON BAIZER, having been first duly sworn, was examined and testified as follows:

Direct examination

By Mr. Conkling:

Q. Mr. Baizer, would you state your full name for the record, please?

A. Morton Baizer.

Q. Your residence address?

A. 220 Foster Avenue, Havertown.

Q. Mr. Baizer, are you engaged in the business of rendering protective services in the City of Philadelphia against the loss of life and property by the hazards of fire, burglary, and so forth?

A. Yes, I am.

Q. For how long have you been engaged in such business?

A. About 17 years.

Q. Here in Philadelphia?

A. Yes.

Q. Do you engage in that business under a firm name or style?

A. Yes.

Q. What is that name?

A. Bell Burglar Alarms, and I also trade under the [fol. 7076] name of Eagle Protective Company, two trade names.

Q. Both in Philadelphia?

A. Yes, sir.

Q. Are you the owner of those businesses?

A. Yes, sir.

Q. How many employees do you have?

A. About seven or eight employees.

Q. Would you describe for me, sir, generally the type of services which your companies provide?

A. Well, we protect the door—we protect a store with the tinfoil they use on glass and contacts on doors and windows, and then in the event of a forcible entry that would cause a bell to ring on the premises.

Q. I think I asked you how many employees you have.

A. Yes, about eight employees. These days they come and go. Of course, now—may I add to this?

Q. Yes.

A. That was the type of services that we rendered up to October 9, when we opened up a central station, where that transmits a signal.

Q. October 9 of this year?

A. Yes, sir, of this year.

Q. And by central station service you mean what?

[fols. 7077-7078] A. That transmits a signal directly to my office.

Q. A signal?

A. In the event—instead of ringing a bell.

Q. Upon the actuation of a device at a subscriber's premises the signal is transmitted to your office?

A. That's right.

Q. Whereupon your organization takes some protective action, does it?

A. That's right.

• • • • • • •

Q. Have you met Mr. Levy, Government counsel, before?

A. Yes.

• • • • • • •

[fol. 7079] Q. Would you tell me what he said generally in substance and what you said?

A. Well, our general conversation was at first I didn't think actually that I fitted in as a witness, or what have you. I mean where I would even be involved with this [fol. 7080] lawsuit. I didn't have a central station up until October, October 9. Of course, it is all burglar alarms, whether central station or local alarms, but the only ones that sell local burglar alarms in Philadelphia is the Owl Company and myself, and, of course, I am talking not as an individual installer. There are probably two dozen people you can buy a local burglar alarm from. I mean people work from the house of the two dozen in Philadelphia, you see, and, truthfully, just exactly what I said to Mr. Levy, I didn't see where there was a monopoly; if there was I would never have been able to get in——

Q. Now, you——

Mr. Levy: Will you please let the witness finish?

By Mr. Conkling:

Q. Go ahead.

A. —to get into the central station business, and I didn't know where I even fitted in as any witness for either side. I mean as far as I am concerned I am just going along minding my own business, more or less.

Q. You used the word "monopoly," Mr. Baizer. Had Mr. Levy used that word in his talk with you?

A. I don't think so. That is about it. He asked me a few [fol. 7081] questions.

Q. Try to recall them if you can and what your answers were.

A. Well, there was one question he asked me, if anyone tried to stop me from going into the burglar alarm business, and at that time I said no, in the burglar alarm business and central station business, I said they did not, but then I found out from a very dear friend of mine that Herman Robinson wrote a letter to the Mayor.

* * * * * * *

Q. Now, in fact, have you learned since your conversation with Mr. Levy that someone did try to impede your entry into the central station field?

A. Yes. I consider this bona fide information, that a letter was written to the Mayor of the City of Philadelphia, a letter was written to the President of the City [fols. 7082-7084] Council, stating that I am—oh, I don't know what words to use, but I am not just fit for a franchise.

As a matter of fact, the same fellow who wrote this letter, though, this is the man who told me right in front of me at Horn & Hardart, he said he hopes I break my neck, and I was never told that since I have been in this business, never. I didn't build this business with a big bankroll. I didn't build this company with my father's money behind me. He said that to my face. I never had a competitor tell me that, never.

Q. The man who used those words, "I hope Baizer breaks his neck," was whom, did you say?

A. Herman Robinson, and I have never done anything to him. As a matter of fact, I helped the man, and when he knew I went into the business that was his attitude.

Q. Is Herman Robinson connected with any protective service company in this city?

A. Yes, Robinson Electronics. That is his trade name.

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[fol. 7085] Q. Are there persons, firms or organizations in Philadelphia rendering protective services other than the companies that have already been named here this morning?

A. Yes.

Q. Would you name them for me?

[fols. 7086-7087] A. Owl Protective Company, Sentinel Alarm Corporation, Robinson Electronics and, of course, myself.

Q. Is there an outfit named Globe here in Philadelphia?

A. Yes.

Q. What do they do?

A. They have mostly guard service.

Q. Do you know whether they operate a central station?

A. No, they don't.

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[fol. 7088] Q. Now, if you can recall for me, how many subscribers or customers did you have when you started in business?

A. None.

Q. Can you tell me about how many subscribers you had, let's say, ten years ago, in 1951, which would be about five years after you started your business?

A. Well, maybe I had—this is just——

Q. Just your best recollection or best estimate.

A. Maybe I had 300; maybe I had 400. It is hard to say. You put them in and take them out. You lose some and gain some. Of course, you try to gain more than you lose.

Q. Right. Can you tell me approximately how many subscribers or customers you have right now?

A. I would say about 1000.

Q. Do you have some central station subscribers?

A. Yes. Just a handful, though.

Q. Just a handful. Would you tell me about how many?

A. We have about 10, I guess.

Q. And you commenced to offer central station service, you say, about a month ago, six weeks ago?

[fol. 7089] A. Yes.

Q. Can you tell me, Mr. Baizer, what your rate of growth has been? You indicated a moment ago that you think you had maybe 300 subscribers in 1951, and today you have about 1000. Has that growth been in some pattern, or has it been regular or irregular?

A. Yes.

Q. Can you tell me what your approximate gross revenue was, going back to that same time, about 10 years ago, when you had some 300 customers?

A. Well, this is just round numbers.

Q. Yes.

A. Let me see. Well, I guess five years ago it was about $45,000, and it jumped about $10,000 a year.

Q. Five years ago it was about $45,000 per year?

A. Yes.

Q. And each year since it has increased at the rate of about $10,000 a year?

A. Yes, sir.

Q. So that as of now is it correct that your gross revenue is about $100,000 a year?

A. No, it is less than that. This year we hope to do $100,000, this year, yes. I meant last year.

Q. Yes. Is your business profitable?

[fol. 7090] A. Yes.

Q. Has the rate of profit over the last five years remained the same, or has it increased, or has it decreased?

A. It has increased.

Q. Would you describe for me, Mr. Baizer, the kind of premises that your company has protected over the last five years?

A. Well, to generalize this——

Q. I mean sort of a cross section, if you will give it.

A. To generalize this, if it is a commercial property we could protect it, whether it is a garage-type building or a

jewelry shop or a fur shop or a check-cashing store, grocery store, clothing store, any type of a store.

Q. Is that statement true as far as you are concerned, thinking for the moment only about your local protective service?

A. Yes, sir.

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[fol. 7091] Q. Do I understand correctly, Mr. Baizer, you confine your protective service work to the burglary side of the field, or do you do fire protective work also?

A. No, burglar alarms.

Q. But you do furnish other types of protective service now?

A. We will, yes.

Q. What are the other services that you are now offering to potential subscribers?

A. Well, without numbering them, we will be in a position to furnish every type of protective device that is on the American market. That is making it very broad, making it a very broad field when I say every type.

Mr. Levy: I will move to strike the answer to that question as being based on speculation.

By Mr. Conkling:

[fol. 7092] Q. Can you name the types that you contemplate offering your customers or potential customers?

A. Yes, bank, safe and vault protection. Well, photo-electric cells and electronic devices. Of course, when I say electronic devices, if I were to get one sample of every electronic device that is on the market today we couldn't store it in this room.

Q. What other types of service do you have in mind?

A. Hold-up alarms, fire alarms, panic alarms, and that is mostly for bars. Smoke detection before the fire starts. In the event a man's cellar would get flooded, we see the signal on that. I guess that about covers it.

Q. Do you render presently any services, protective services, to industrial premises?

A. Yes, sir.

Q. Are there accounts in this industry in Philadelphia, Mr. Baizer, that are known as prestige accounts?

A. Yes, there are.

Q. Do you have some?

A. Yes, I do.

Q. Would you give us a few for instances?

A. Well, Jacob Reed.

Q. What does Jacob Reed do?

A. It is a men's clothing and haberdashery.

[fol. 7093] Q. Is that here in Philadelphia?

A. Philadelphia and suburbs, and we have like Robert Hall stores.

Q. Yes. Is that a clothing chain?

A. Yes, sir.

Q. Do you know whether Robert Hall stores have stores in other cities of the country?

A. Yes, they are all over the country.

Q. Is it a local service that you offer?

A. Yes.

Q. To Robert Hall?

A. Yes.

Q. Would you name some others for me?

A. Daroff. That is Botany 500 clothes.

Q. Is that a local system, too?

A. Yes.

Q. How many such stores do you have, the Daroff stores?

A. I just have the factory.

Q. You have the factory?

A. Yes.

Q. Where is that located?

A. 23rd and Walnut. They do not retail. They are only manufacturers.

[fol. 7094] Q. That is here in Philadelphia?

A. Yes, sir.

Q. How large a factory is that?

A. It is a city block all of the way around.

Q. Does that factory, incidentally, employ any guard or watchman service, if you know?

A. Yes, they do. They have men at the door checking packages coming in and out.

Q. Have you had that account for a while?

A. Yes, I have.

Q. For how long would you say?

A. Five, six, or seven years. I wouldn't remember exactly. It is quite some time.

Q. Did that factory ever have a central station protective service, if you know?

A. Yes. They have it now, in addition to what we offer them.

Q. Do you yourself offer any watchman or patrol or guard service?

A. No, sir.

Q. Does the phrase direct connected service mean anything to you, sir?

A. Yes.

Q. Would you tell me what it means?

[fol. 7095] A. Just that particular phrase could mean connected to a central station or connected to a police station.

Q. Are there direct connections permitted to a police station here in Philadelphia?

A. They will accept them in the City of Philadelphia. I just found that out a short time ago. You have to pay them $100 a year, and they will accept that service somewhere in the City Hall, the Electrical Bureau I think it is. I am not too sure.

Q. Do you yourself furnish such service to any customers?

A. No, sir.

Q. Do you use a form of written contract with your customers?

A. Yes, sir?

Q. Did you bring any form of contract with you?

A. No, sir.

Q. Can you tell me is it a single form of contract that you use, one type, or do you have several?

A. Right now I have two types. Excuse me, I have three types.

Q. Would you describe each for me generally?

A. Eagle Protective Company. We furnish no night service, no Saturday service, and no Sunday service, or holidays. That is a cheaper local service that we offer.

Q. Incidentally, if I may interrupt there for a moment, [fol. 7096] when you gave me your number of customers

and your revenue figures, were you counting in or including the revenues and the customers——

A. Everything.

Q. —of Eagle?

A. Yes.

Q. Right. Go ahead.

A. Bell Burglar Alarms, we furnish a 24-hour uninterrupted service seven days a week, 24 hours a day.

Of course now we have added on this central station service.

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Q. Is the equipment that you use in your business readily available in the market?

A. Yes, it is.

Q. Do you use equipment approved by the Underwriters Labs?

A. Yes, we do.

Q. Does your company issue certificates for the services that it renders?

[fol. 7097] A. Yes, sir.

Q. What grade of certificate do you issue?

A. Grade A.

Q. Can you tell me approximately how many of your current thousands of subscribers hold certificates issued by your company?

A. I doubt if we have 100 certified.

Q. About 10 per cent are certified, and the balance, 90 per cent, are not certified?

A. Yes.

Q. Let me get back to a question I tried a moment ago, and I don't think it came out right. Having in mind the equipment that you use in rendering your local service and the equipment that you use in rendering now central station service, and thinking about the devices on the subscribers' premises—I am not talking about telephone lines, and so forth—is the equipment the same or similar in both types of service?

Mr. Levy: I am going to object to that. I will object to the form of the question.

By Mr. Conkling:

Q. Answer the question.

A. The equipment, as far as protectivewise, is exactly the same. The only thing that is different is the control box, that is all.

[fols. 7098-7099] Q. Now, has the equipment that you have needed in order to render the service that you have been engaged in over the last 10 years been readily available to you on the market?

A. Sure.

Q. Have you had any trouble obtaining any equipment at all?

A. No.

Q. Would you name for me some of the suppliers whom you use?

A. Ademco Device, Ademco Alarm Device Manufacturing Company, Ademco, Ben Lieberman, Rex Alarm Corporation, Denver Alarm, Imperial Products, Chicago Lock Company, Rago Insulated Wire Company, and there are so many of them I can just go on and on.

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[fol. 7100] Q. I want to go back for a moment to these forms of contract. You mentioned three different types of contract that you use. Can you tell me whether your form of contract provides that title to the equipment that you install on a subscriber's premises remains with your company?

A. Yes.

Q. In all instances?

A. Yes.

Q. Do you sometimes sell a system, incidentally?

A. No, sir.

Q. Has your form of contract always provided that title to the equipment remain with your company?

A. Yes, sir.

Q. Do you have any familiarity with the forms of contract used by other protective services in this city?

A. Yes, I have.

Q. Do you know whether those contracts of other pro-

tective service companies provide for retention of title by the servicing company?

A. Yes. As a matter of fact, I have seen almost every contract in the City of Philadelphia, and I have seen probably 25 per cent or 20 per cent or a great many of the contracts throughout the country, and they are in my opinion, all the same. They are worded differently, but [fol. 7101] they are all the same. They provide for a term —some are three years—some are five years.

Q. What, incidentally, is your own?

A. Three years.

Q. Your usual term of service?

A. Three years.

Q. Three years?

A. Yes, sir.

Q. Do you ever provide service for a five-year term?

A. No. Actually, in my opinion, if you put down three years or five years, if the man will remain in business, usually you never lose him. He stays with you.

Q. Have you from time to time lost a customer, or has a customer terminated service with you for one reason or another?

A. Yes, we have lost them here and there.

Q. What happens to the equipment on such a subscriber's premises?

A. We remove it. Most of the time it don't even pay to remove it. If it is real old, and it is usually, you are getting new devices all of the time, and we take it out and try to salvage whatever we can.

With labor being so high most of the time it will cost you as much to take it out as what it is worth.

[fols. 7102-7103] Q. Do you maintain a price list in the operation of your business, Mr. Baizer?

A. Well, not necessarily. When you say a price list, we don't adhere by it 100 per cent actually.

Q. How many of your eight people, incidentally, are salesmen?

A. One.

Q. Are you the salesman?

A. I sell. I have a salesman.

Q. Do you sell also?

A. Yes, I do most of the selling.

Q. Have your prices increased or decreased over the last five years?

A. They have increased. Our service charges, that is.

Q. Do you charge an advance service charge or an installation charge in addition to a monthly or an annual service charge?

A. Yes, we charge an installation charge and a monthly service charge.

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[fol. 7104] Q. Are there some other prestige accounts that you can name for us?

A. Yes, sure. Well, we have the Seven-Eleven stores, a chain of stores. We have Braits, men's furnishings.

Q. How do you spell that?

A. B-r-a-i-t-s.

We have companies like Acme Gasket Manufacturing Company. I can go on and on. Maybe if you get a little into the business prestige accounts don't mean anything, just so that they pay. Sometimes a little grocer on the corner is better off than these big accounts.

Q. Do you have any accounts, incidentally, who take your local protective service and who had formerly subscribed to central station service?

A. Yes, one in particular who had about half a dozen taprooms, Speedie's Bar, and he had Holmes, and he invited me down to bid for my service.

Q. And did you?

A. Yes.

Q. Do you have that account?

A. Yes, we do.

Q. You say he has a half dozen taprooms?

A. About, yes.

[fol. 7105] Q. Throughout the city?

A. Yes.

Q. Incidentally, Mr. Baizer, what is the approximate operating area in which you furnish your service?

A. We will go within 100, 125 miles of downtown Philadelphia.

Q. Is that in all directions from downtown Philadelphia?

A. Yes, sir. Well, you say "all directions." Well, we don't go to North Jersey, just as far as Trenton. I would

say we are working in Trenton today, as a matter of fact, near Trenton. South Jersey, Schuylkill Haven, Allentown, Reading. I mean wherever we can make a few bucks.

Q. Do your companies have the approval or accreditation, Mr. Baizer, of any rating bureau or organization?

A. The only approval we have is the approval of the Underwriters Laboratories, Inc.

Q. Do you know whether there are other rating bureaus that render approvals in the protective service field?

A. Not for burglar alarms. That is the only one.

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[fol. 7106] Do you know whether those subscribers to your protective service, Mr. Baizer, are entitled to insurance discounts?

A. Oh, yes, sure, if they have an approved system.

Q. Are these the approximately 100 certificated systems that you mentioned a short while ago?

A. Yes, sir.

Q. Do you know what that insurance discount is that they become entitled to?

A. Yes, it runs from between 20 and 35 per cent, depending on what floor they are on, depending on if we have keys or not.

Q. Do you have some customers who leave keys with you and some who do not?

A. Yes, sir.

[fol. 7107] Q. Do any of your central station subscribers hold certificates issued by your company?

A. We have none yet. That is, we install two certified systems, but we are not eligible to issue certificates until the Underwriters see us in operation for 90 days. As a matter of fact, the Underwriters are in today.

Q. Inspecting some of your installation?

A. We invited them down, in the event there is anything wrong, that we can correct it, and it gives us enough time to come in before the 90-day period, so that we can get our approval, but actually it is just all routine.

Q. Well, you mentioned that one of your eight employees is a salesman, and that you do some selling. Would you tell me what the other seven people employed by you do?

A. Installation, service.

Q. How many install and service?

A. Well, we have—I guess we have four men; some four men install. Actually, we swing them over. We use them where we need them most. Three men on service. Then we may take a man from construction and put him on service where we need him for a weekend or a Saturday or some holiday.

Q. Is there someone in your central station now?

A. Now there is, yes.

Q. Is there someone in your central station at all times now?

[fols. 7108-7110] A. Yes. When I said seven or eight, I didn't count the two operators we just hired in the last three weeks.

Q. So that actually you have ten employees?

A. About ten people, yes.

Q. Are any of your personnel licensed to carry weapons?

A. We had licenses at one time, and they never renewed them. We really don't need it. We probably will with a central station.

* * * * * * *

[fol. 7111] Q. Do you know whether these nine or ten central station customers sought bids from others?

A. Some of them did that I know of.

Q. Do you know who your competition was in these instances?

A. Specifically, I would say no, that I don't, actually.

Q. You yourself don't know now?

A. No. But they had prices. You can usually tell when a man knows as much about a burglar alarm as we do, we [fol. 7112] know he has had everyone else there. That is part of being a good salesman. You will think I am bragging about myself. We find out if a man has a shop, you know. I am telling you all of my trade secrets now. That is off the record, of course.

Q. Would you describe for me, Mr. Baizer, what steps you take when you solicit a potential subscriber or when a potential subscriber seeks you out for possible protective service?

A. What we do? I didn't get that.

Q. What steps do you take in making a bid, let's say,

talking with your customer and trying to induce him to buy your service?

A. Well, we explain to him the type of service we offer. We may even tell him our competitor's burglar alarm is a good alarm, but ours is a little better. It is just like going to buy an automobile. Whether you buy a Ford or a Chevrolet, you usually buy the car—well, maybe the salesman knows somebody you know, or maybe he smiled to your wife, and she said, "Buy that car," or something; I don't know. Maybe they happen to have a color you want, but whether you had bought a Ford or a Chevrolet, they are all about the same.

Q. When the subscriber indicates some real interest and asks you for a quotation, how do you decide what to charge?

[fol. 7113] A. Depending upon the number of openings to be protected.

Q. Does this apply to your calculation of what you have called your installation charge?

A. Yes.

Q. Does it apply also to your calculation of a monthly or annual service charge?

A. Yes, sir.

Q. Now that you are offering central station service, does your computation of an installation or service charge vary or differ?

A. It might. It is hard to say. You can't just say, "Well, this is it." It isn't selling yardgoods by the yard, where you measure off so many yards and it costs X amount of dollars, and you sell at a profit or sell it at cost to dispose of it, being overloaded in one item.

Q. You say it is not that?

A. It is not that. You are dealing with labor. You are dealing with material. You are dealing with different types of subscribers. It is whether you want the job or you are not too happy to get the job. You are concerned with will you get paid promptly. There is a lot that enters into the picture, and you can't tell a salesman to go out and charge $10 a window and bring in the contract. It doesn't work that way. We are not dealing with anything like that.

[fol. 7114] Q. What are you dealing with, service?

A. You are dealing with a service, and if a job costs $100, and you will take the job for $50, you will invest $50, and after you will have the job in six months you will find that job will give no trouble, but the man doesn't pay promptly, so you have a bad account. This is in the local burglar alarm business it is small money, and a man pays $6 or $7 or $8 a month and has about as much as a nuisance value as it has a dollar value to collect in money. It is——

Q. How do those charges——

Mr. Levy: Please let the witness complete his answer.

By Mr. Conkling:

Q. I am sorry. Go ahead.

A. It is hard to say how you figure a job. I know I spent all of my adult life in this business, and I go to the conventions and meet with other burglar alarm men. It is all the same. It is the same all over the country, in my opinion, that is.

Q. How do those charges you have mentioned compare with the charges you make for central station service that you now offer?

A. Oh, central station charges are as service charges. We are talking not of installation, but just for the monthly [fol. 7115] service charges, maybe three or four times as much.

Q. And the reason for that is what, as you understand it?

A. There is a leased line involved. You have to have more people, and your overhead is much bigger; it is much greater.

Q. How much would you say, Mr. Baizer, it has cost you, approximately, by way of capital expenditure in order to enter the central station field, if we may call it that?

A. Well——

Q. I realize you have said you pay the City of Philadelphia $100.

A. Yes, sir, it was either $100 or $50. I am not sure. I think it was $100.

Q. Was there something in addition to that——

A. No, sir.

Q. —that you had to spend?

A. Place a bond with the City of Philadelphia.

Q. What kind of bond is that, and in what amount?

A. $5000 bond that cost about $50, I think.

Q. Yes.

A. $5 to the Law Department, for them to draw the bond up, and that is your cost for your franchise.

Q. What else did you have to spend in order to offer [fols. 7116-7117] this central station?

A. Well, very little, actually. We just have a miniature of a central station, you see, at the moment. We have enough equipment, maybe, to service 30 or 35 customers at the moment, and then we will buy our equipment and add it on as we go. You can set those up, set your room up, and spend a fortune, but I will just add on as I go along, just like I did in the past with local burglar alarms. I don't have a specific figure to say I spent X amount of dollars, because everything is mixed in together with locals and central station.

Q. Isn't there any limit on your capacity to expand, or can you just, as you understand it, keep going and growing?

A. Oh, sure.

Q. Which?

A. You just keep growing. As time goes on, you are bound to have more customers if you are a little aggressive.

Q. Do you know of others in the City of Philadelphia who started small and expanded and grew bigger?

A. You mean in central station?

Q. In the protective service field.

A. Well, this was before my time, but the Owl Company started the same way I did.

• • • • • • •

[fol. 7118] Q. You mentioned a moment ago that you very recently hired two new people.

A. Yes, sir.

Q. Were those two new people hard to find?

A. No.

Q. Have they had an experience, or have you been training them, or what?

A. I have trained them. I have been training them. They had no experience.

Q. Is it possible to do that, to take a man of reasonable intelligence and train him to do the kind of work you are trying to do?

Mr. Levy: I object to the form of the question.

By Mr. Conkling:

Q. Has that been your experience?

A. Yes, you can train the man to do the type of work.

Q. How did you yourself, incidentally, get your training and experience, Mr. Baizer?

A. Well, just as I went along, I just pioneered by myself.

Q. Were you ever employed by any other company offering electric protective services?

A. No, sir.

Q. Have you had any formal educational training in electricity?

[fol. 7119] A. No, sir.

Q. Did you make any particular study of this trade while you were in the military service?

A. No, sir.

Q. Was your father in the business before you?

A. No, sir.

Q. Have you yourself trained the other eight persons who were working for you besides the two I have just referred to?

A. Yes, more or less, I would say.

Q. Does the phrase "proprietary system" mean something to you in this electric protective service field?

A. Yes.

Q. What does it mean?

A. It means a burglar alarm system that is installed within a building, connected to one point where a guard would be stationed there to receive signals for any unauthorized entry to any area in a building.

Q. You mean everything connected with it is within the building?

A. Yes.

Q. That you have in mind?

A. Yes.

Q. Is there connection from such service made outside the premises?

[fols. 7120-7121] A. Not necessarily.

Q. Have you sold or installed any proprietary systems?

A. Yes.

Q. Which is it, have you sold, or are you servicing them, or both?

A. Well, we had one system for Burroughs Research Center, which was indirectly for the Government, and we had——

Q. Where is that located?

A. In Paoli.

Q. Paoli is out on the Main Line?

A. Yes, sir.

Q. About how far from downtown?

A. Are you familiar with Philadelphia? Maybe 10 or 20 miles, I would say, and then we had one from McGuire Air Force Base, which was the same type of setup, and you can call this system we have at Daroff's proprietary system.

Q. When you mentioned Burroughs, you said that that installation was indirectly for the Government.

A. Yes, sir.

Q. What did you mean by that?

A. The station where this signal came in was manned by Army personnel.

Q. I see. That was at Burroughs——

A. Burroughs Research, or Burroughs Research & De-
[fol. 7122] velopment, where they do some type of work for the Government.

Q. For the military?

A. Yes, sir.

Q. The proprietary installation that you have in mind at McGuire—was that McGuire Air Force Base?

A. Yes, McGuire Air Force Base. We don't have it any more. We did.

Q. Where is that Air Force Base located?

A. At Fort Dix, or next to Fort Dix, New Jersey. It is about 30 or 40 miles from Philadelphia.

Q. Do you service the installation at Burroughs?

A. We did, but they no longer required our services, and we removed our equipment.

Q. But while you had it you serviced it; it was not an outright sale?

A. We serviced it, yes, sir.

Mr. Conkling: Shall we take a short recess?

* * * * * * *

[fol. 7123] Q. Are you listed in the Philadelphia classified directory, that is, your company?

A. Yes.

Q. Are there other companies listed there, if you know, that offer protective services?

A. Yes.

Q. Now I am looking at page 188 of the Philadelphia classified directory, and I see that your company, Bell Burglar Alarms, is listed here under the heading "Burglar Alarm Systems," telephone number LO 3-6942. Is that yours in there?

A. Yes.

Q. I see that there is a list of other companies named there. Would you read that list to me and state in connection with each whether you know whether they do in fact solicit burglar alarm——

A. Oh, they all do.

Q. —accounts here in Philadelphia?

A. You want me to read them all?

Q. Yes.

A. All right. A&R Electric Company.

Q. Do you know that company?

A. No, I don't.

Q. Go ahead.

[fol. 7124] A. Ace Protective Wiring Company.
Arco Fire Safety Products.
Auto-Matic Alarm Systems.
And then Morton Baizer, that is me.
Behrman Electric.
Bell Burglar Alarms.
Bill's Electric Service.
Bulldog Burglar Alarm Company.
Central Protective Service Company.

Mr. Levy: Would you please place on the record that Mr. Quigg entered the room at this point?

Mr. Williams: You might as well put on the record that he departed from the room 30 seconds later.

By Mr. Conkling:

Q. Go ahead, Mr. Baizer.
A. You have Eagle Protective Company. That is me.
Elbee Electric.
Elco Residential Systems.
Fifth Street Garage.
Fyre-Safety, Inc.
General Burglar Alarm Company.
Gratz Fire Protection.
Holmes Electric.
[fol. 7125] International Alarms.
Keystone Auto Service.
Manchester Alarms.
Minneapolis-Honeywell.
Q. Is that the end of the list?
A. We don't have the next page here, do we?
Q. The next page would be what?
A. 189.
Q. Here it is.
A. Owl Protective Company.
Philadelphia Local Telegraph Company.
Philadelphia Protective Wiring Company.
Protect-A-Life Corporation.
Robinson Electronics.
Schwartz Fire Protection.
Sentinel Alarm Corporation.
Stanley Detective Agency.
U. S. Fire Protection Company.
Samuel Zeldin.
Q. Are you familiar with most of those that you have just read the names of?
A. Yes.

Mr. Conkling: Would you mark pages 188 and [fol. 7126] 189 of the directory just referred to as Defendant's Exhibit A for identification?

(Pages 188 and 189 of the Philadelphia classified telephone directory was marked for identification as Defendant's Exhibit A.)

Mr. Levy: Off the record.

(Discussion off the record.)

By Mr. Conkling:

Q. Now, then, do you know how long the ADT Company has been here in this area?

A. Oh, for years.

Q. How about Holmes?

A. The same thing. 100 years, I guess. I don't know, they advertise 101 years or something.

Q. Is this your home town, incidentally?

A. Yes.

Q. How about the Automatic Fire Alarm Company? Did you ever hear of them?

A. Oh, sure.

Q. Have they been here a long while?

A. Yes.

Q. Now, among the companies whose names you have just read for me from the classified directory, Mr. Baizer, would you look over that list again and tell me how many [fol. 7127] of them have entered this electric protective industry here in Philadelphia, let's say, in the last ten years.

A. Central station and local?

Mr. Levy: I will object to the question in so far as it assumes that these companies are in an industry known as the electric protective industry.

Mr. Conkling: Oh, all right.

By Mr. Conkling:

Q. Can you tell me anyway, if you know, that any of the persons or firms listed on Defendant's Exhibit A for identification have offered their services through this directory or otherwise in the last ten years, would you name them for me?

A. Well, the Owl Company and Holmes Company, of course, ADT, Automatic Fire Alarm Company, and actually the others, they just come and go. One year you have 50 in the book and the next year you have 25. If bounces up and down.

Q. Well, thinking——

A. They just seem to come and go actually.

Q. Thinking about central station companies, are there some names listed there whom you know have commenced to offer central station services within the last ten years and who are still here?

[fol. 7128] A. Well, of course there is the Owl and Holmes. They have been in business for some time, and in the last few years you had Sentinel and Robinson enter the field.

Q. And now yourself, you say?

A. Yes.

* * * * * * *

[fol. 7129] Q. How many accounts or subscribers have you lost, Mr. Baizer, over the last ten years to one central station company or another?

A. Very little.

Q. I am talking about your local system subscribers.

A. Very little, so few that I would never even count them.

Q. Do you know whether any central station company has sought to take over any of your local customers?

A. No.

* * * * * * * *

[fols. 7130-7131] Cross-examination.

By Mr. Levy:

* * * * * * *

[fol. 7132] Q. I think you testified on your direct examination by Mr. Conkling that you lost very few local subscribers to central station companies over the last ten years; is that correct, sir?

A. Yes.

Q. And over that same period of time how many central station subscribers have you obtained as local alarm subscribers, that is, subscribers who formerly utilized central station service?

A. Not enough to make any profit or loss actually, I mean to any great extent. I just happened to remember the one case where the man had central station alarms, and I took over on local. This happened recently and is fresh in my mind.

Q. Do you know the circumstances under which this subscriber switched from the central to local?

A. Yes.

Q. What are those circumstances?

[fol. 7133] A. He bought a bar that had our burglar alarm system in there, which was a local burglar alarm system, and he was pleased with our service, it just gave him a gong, and he compared what he was paying before, and he felt that on a calculated risk he would be ahead by buying my business to a central station system.

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Q. I believe you testified, Mr. Baizer, earlier today that [fol. 7134] your company is a member of a fire alarm association; is that correct, sir?

A. Yes, sir.

Q. Do you recall the name of that association?

A. I think it is called National Fire Protective Association. I am not sure. I think that is the name of it, to the best of my knowledge.

Q. Does your company provide any fire alarm services at this time?

A. Well, at this very moment we are installing a fire alarm system. That is our first fire alarm system.

Q. What type of system is that, sir?

A. A central station fire alarm system.

• • • • • • •

[fol. 7135] Q. Does the ADT Company do any local alarm business here in the city?

A. No, sir.

Q. Or any area in which you operate that you know of?

A. Where we operate, yes, we do.

Q. Where is that, sir?

A. In Jersey.

Q. They do local in Jersey?

A. Yes, and further out on the outskirts of Philadelphia.
[fols. 7136-7137] Q. Does the Holmes Company do any local alarm business?
A. Yes, they do, very little.
Q. The Automatic Fire Alarm Company?
A. No.
Q. Do you consider these companies to be competitors of yours?
A. No, sir.
Q. In the local alarm business?
A. No, sir.

* * * * * * *

[fol. 7138] Q. I believe you testified that there were certain requirements which your company must meet to be approved by Underwriters Laboratories.
A. Yes, sir.
Q. Now, I understand that—and correct me if I am wrong—at present you are certified by Underwriters Laboratories to provide accredited local alarm service; is that correct?
A. Yes, that is correct.
Q. But you have not received certification by Underwriters Laboratories for central station service?
A. That's right.
Q. Now, what are the requirements which you must satisfy in order to be certified by Underwriters Laboratories for a central station service?
A. We must use Underwriters Laboratories approved equipment.
Q. Is this true of the equipment which is installed in your central station?
A. Yes, sir.
[fol. 7139] Q. As well as that which is installed in the subscriber's premises?
A. Yes, sir.

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[fol. 7140] Redirect examination

By Mr. Conkling:

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Q. Has it been your experience in any way, shape or [fols. 7141-7143] form, that the ADT Company or the Holmes Company, or the Automatic Fire Alarm Company has made it difficult for you to get into this business?

A. No, sir. I think they add a lot of dignity to the industry.

• • • • • • •

[fol. 7144] Q. Have you any idea, incidentally, Mr. Baizer, of the inventory value on the premises of, let's say, your Jacob Reed account?

A. Yes.

Q. What would you say it is?

A. Well, as a layman, of course, not being in the clothing business or the haberdashery business——

Q. Right.

A. —I would say in my opinion the Chestnut Street store must carry at least $200,000.

Q. Is this based in any wise upon any information or conversation you may have had with the Jacob Reed people?

A. No, it would be based on having a boy friend in an allied business, and I have heard him talk of what these stores stock.

Q. I see. What would you say——

Mr. Levy: I move to strike the answer as being based on hearsay.

By Mr. Conkling:

Q. What would you say, Mr. Baizer, about the inventory value of the premises which you protect for Daroff?

A. It is so big I wouldn't want to say. I would want a [fols. 7145-7147] yardstick to measure it.

Q. Make a conscientious effort not to exaggerate, but give me a conservative figure.

A. Oh, several million dollars. I don't know.

Q. These are the Daroff premises which your company protects?

A. The Daroff Company is one of the largest clothing manufacturers in the country.

Q. And these premises your company protects; am I right?

A. That's right.

Mr. Levy: If you are implying it is the only company that protects those premises, I will object.

By Mr. Conkling:

Q. What about the Robert Hall premises that your company protects? Have you any idea or knowledge as to the approximate inventory value of the premises which your company protects?

A. I would say the average store runs about $50,000 to $75,000.

Q. How many such stores in this area do you furnish service to, sir?

A. Say, 20 or 30 stores.

Q. 20 or 30?

A. Something like that, between 20 and 30.

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[fol. 7148] Q. Well, now, having your roller skate to an automobile comparison in mind, which is the roller skate? Is this your $5 a month uncertificated service, would you say?

A. Well, I was talking about myself, actually compared to the ADT or the Holmes Company.

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Q. I understand. Now, the non-weekend and non-nightly service installation, is this the type you have in mind as a roller skate compared to an automobile?

A. No, I meant my general operation compared to ADT probably meant dollarwise or profitwise or gross business-wise or what have you.

Q. You are smaller than the ADT Company, are you not?
[fol. 7149] A. Certainly.
Q. Is this the comparison you have in mind when you talk about the roller skates on one hand——
A. That's right.
Q. —and automobiles on another?
A. That's right.
Q. It is not so much the effectiveness of the type of service that you are able to give to a customer you have in mind, is it?
A. No.

• • • • • • •

Q. Do you drive an automobile?
A. Yes, I do.
Q. Have you ever ridden on roller skates?
A. Yes.
Q. Have you ever seen an automobile on the street going
[fol. 7150] in the same direction as someone on roller skates?
A. Yes, sir.
Q. And maybe on that same street there is someone on a bicycle?
A. Yes.
Q. And they are all going in the same direction?
A. Yes, sir.
Q. And perhaps even at the same rate of speed; right?
A. Yes.
Q. There are all kinds of automobiles from the solid gold Cadillac to the old tin lizzie?
A. That's right.
Q. But it is their purpose to take you to where you want to go?
A. That's right.
Q. Is that true of roller skates also?
A. That's right.
Q. Well, now, with these analogies in mind, Mr. Baizer, and having all of your experience in mind in this protective service industry, is it fair and accurate in your estimation to say that at the very least there is an overlapping of the areas of service furnished by someone who is strictly in the

local field and someone else who is strictly in the central station field?

[fol. 7151] A. Well, when you say overlap, you mean could either a central station man or a local man sell that one customer? Is that what you mean?

Q. Yes, that is.

A. Yes.

* * * * * * *

[fol. 7152] Q. Now, in that same vein you answered one of Mr. Levy's questions about guard and watch service, and I think again you said you did not consider—which was Mr. Levy's word—you did not consider those who offer guard and watch service as being competitors of yours; is that right?

A. That's right.

Q. Let me ask you this: Have you attempted to sell your service to a subscriber who was or is using guard or watchman service?

A. Yes, sir.

Q. Have you in one or more instances been successful?

A. Yes, sir.

Q. Have you in some instances been not successful?

A. Yes.

Q. In other words, do such people——

A. We hadn't had many cases. I am thinking of one man in January that I sold. He had guards, and I was invited to bid on the burglar alarm, and I showed him [fol. 7153] where he could save a lot of money by using my service and doing away with his guards, and he has done it now for maybe two or three years, and he is happy, and so am I.

Q. Yes. Did any central station company offer its services at that time?

A. Yes, sir.

Q. Or solicit the account?

A. Yes, they did.

Q. Do you know which one?

A. He got prices from everybody. I know that.

Q. And you got the account, and you have it now?

A. Yes, sir.

* * * * * * *

[fol. 7154] Q. How about the Robert Hall account? Did any so-called central station company seek to obtain that account?

A. No, sir. I understand it is a company policy that they have local burglar alarms throughout the country, and in their districts where they are off the so-called beaten path they have police station hookups in small towns.

Q. When you say you understand it is a company policy, you mean a Robert Hall Company policy?

[fol. 7155] A. Yes, sir.

Q. Is your understanding based on any communication?

A. Yes, that is.

Q. That you received from Robert Hall?

A. Yes, with the controller in his office.

Q. Is that a Philadelphia person?

A. No, sir, from New York, at their main office.

Q. Do you recall that man's name?

A. Yes, Mr. Philip Schiller, I think it is.

Q. How recently did you have such a conversation——

A. The last——

Q. —or communication?

A. —conversation was——

Q. I mean with Mr. Schiller?

A. About a year ago.

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[fol. 7156] Recross-examination.

By Mr. Levy:

Q. I have a few additional questions. Mr. Baizer, I believe you testified that you do not consider the guard or watchman services to be competitive with your services; is that correct?

A. Yes, sir.

Q. In what way do you mean that, sir? Do you run into them soliciting accounts every day?

A. No.

Q. Do you bid against them on a regular basis?

A. No.

Q. Do you bid against other local alarm companies on a regular basis?

A. Other local?

Q. Yes.

A. Yes, I do.

Q. Who is your major local alarm competitor?

A. The Owl Company.

Q. They engage in——

A. Both.

Q. —both local and central station?

A. Everything, everything.

[fol. 7157] Q. You mentioned you were not in direct competition with ADT, AFA and Holmes; is that correct?

A. That's right.

Q. Do you bid against them on a regular basis as you do the Owl Company?

A. No, sir.

Q. You meet them infrequently?

A. Yes.

Q. You drew an analogy for me at our meeting, Mr. Baizer, and compared a local alarm system to a central office system as you would compare a roller skate to an automobile. You testified in response to one of Mr. Conkling's questions that you were referring to only the relative sizes of those two companies; is that correct?

A. My company with ADT, yes.

Q. Were you also considering the type of services your companies render?

A. That my company renders?

Q. As compared to ADT's service?

A. Yes.

Q. You were?

A. Yes, sir.

Q. Not only size but type of service was considered in drawing that analogy; is that correct?

[fol. 7158] A. The type of services?

Q. Yes, as provided by ADT, as compared with your services.

A. Yes.

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[fol. 7159] Q. Describe for me the nature and size of your local burglar alarm subscribers generally.

A. You mean the type of people we do business with?
Q. Yes.
A. We do business with small people and with the biggest and wealthiest people in the City of Philadelphia.
Q. The majority of them?

Mr. Conkling: Is that a question? I don't think it is a question.
Mr. Levy: I will put a question mark behind it. I think he knows what I am saying, what I mean.

A. The majority? I would say it is hard to say any more. We are in a different trend of business today. Business is different today than it was when I first started. Today the real, real small man is—well, it is different today. I mean we look at a shopping center as a small businessman, and actually you have to have a long bankroll to get into a shopping center, so it is hard to say.
Now, my father, God rest his soul, would answer the question differently. By that I mean he is from the old school, and if a man had a grocery store and wanted a pair of shoes, he rang the cash register, and if there was [fols. 7160-7161] money there for shoes, he had a good business. Today it is different. It is different today than——

By Mr. Levy:

Q. What I am asking you, sir,——

Mr. Conkling: Let the witness finish.
The Witness: Believe me, I am trying to be as nice to you as I am to these people. I am not in the middle of this.
Mr. Conkling: Let the record indicate the "you" was a reference to Mr. Levy, and "these people" to defense counsel.
The Witness: I mean I have no interest either way. I have nothing to remember because what I am telling you is the truth, so I don't have to concentrate on anything that I have said an hour ago because I can repeat the same thing ten years from now. It is just that I am telling you facts as I know them.

By Mr. Levy:

Q. I see, sir.

A. As far as if I have most of them that are big or most of them that are small, I think that the Holmes Company has more small people than I have.

Q. On an over-all basis?

A. Yes, sir, they do, you see. They have Sansom Street, [fol. 7162] and then there may be a dozen big jewelers, and the rest of them are small, and I have never checked it directly, but I am sure you have as many people in the jewelry business as in the taproom business, and I have better than half the taprooms in the City of Philadelphia, so there is your comparison. It is hard. I mean, I don't want to generalize anything.

Q. Do you have any banks, sir?

A. Banks?

Q. Yes.

A. No, I do not. I could have had a bank.

Q. Do you have any department stores?

Mr. Conkling: Don't interrupt the witness, Mr. Levy. He started to say he could have had—let him finish.

The Witness: I could have had a bank. I was offered the Broad Street Trust Company at 18th and Walnut. I wasn't qualified at that time. I wasn't equipped to handle it.

By Mr. Levy:

Q. In what way?

A. I didn't have any station built.

Q. Your central station?

A. That's right. I could have had a bank.

Q. Had you had a central station?

[fol. 7163] A. Yes, sir. As a matter of fact, I was speaking with Mr. Swift, who is one of the officials of the Central-Penn National Bank. I spoke with him last week, and he is going to invite me to bid on their next bank.

Q. Is this one of the reasons you went into the central station business, so that you could serve that type of institution?

A. Not just for that. That is one of many reasons, yes.

Q. How many department stores do you have as local alarm subscribers, Mr. Baizer?

A. When you speak of department stores, are you speaking as a department store by comparison to John Wanamaker or as a department store on Ridge Avenue? They call themselves Stein's Department Store, for instance. We have Stein's Department Store. He has a big sign up there that says Stein's Department Store. Mr. Stein is a very fine gentleman. He is my friend and my customer. When I say my friend, just in business. We don't socialize. He has a department store. We have lots of stores like that that are department stores.

Q. What type of store is this?

A. A store that sells everything from ladies' underwear to men's shirts.

Q. The same quality of merchandise?

A. Well, I would say he sells the same things as Wana- [fol. 7164] maker's basement or Lit Brothers basement sells.

Q. I see.

A. He is a department store. Wanamaker is a department store.

Q. I believe you testified that you ran into Owl quite frequently or regularly in bidding on local alarm systems; is that correct?

A. Yes, we do.

Q. How frequently do you run into the Holmes Company?

A. Not as frequently as I do with the Owl Company. I have been in business now long enough to have my own following, and I would say better than half the business we get is referrals, that John Doe tells John Smith that he knows Baizer, and they call me for a burglar alarm.

Q. Did you tell me at our meeting that your major competitor was the Owl Company?

A. Yes, I did.

Q. Did you also state to me at your meeting that you never saw a Holmes local burglar alarm system?

A. That's right.

Q. Did you also state that Holmes wasn't a competitor of yours?

A. That is right.

Q. Did you state that the ADT Company was not a local [fol. 7165] alarm business in Philadelphia?

A. That's right.

Q. Did you also state that ADT was not a customer of yours?

A. That's right.

Q. And the same with respect to the Automatic Fire Alarm Company?

A. That is correct.

Q. But you did state that the Owl Company was your major competitor?

A. That's right.

Q. Why is that, sir? Can you tell me why?

A. The Owl Company has local burglar alarms.

Mr. Levy: I have no further questions.

Mr. Conkling: That is all.

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[fols. 7166-7168] IN THE UNITED STATES DISTRICT COURT

DEFENDANT'S EXHIBIT W16a

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION, AMERICAN DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE COMPANY, and AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, et al., Defendants.

Deposition of CENTRAL BURGLAR ALARM SERVICE, by JOSEPH G. WILSON, taken on behalf of defendants, at 605 West Olympic Boulevard, Los Angeles, California, commencing at 10:00 A.M., Monday, October 30, 1961, before Julian R. Schwab, C.S.R., Notary Public, pursuant to notice and Federal rules of civil procedure.

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[fol. 7169] JOSEPH G. WILSON, having been first duly sworn, deposed and testified as follows:

Direct examination

By Mr. Fritz:

Q. What is your home address, Mr. Wilson?

A. I don't know at the moment, because we are in the process of moving from one to the other.

Q. What was the last one?

A. 4369 Beck in North Hollywood.

Q. What is your occupation, Mr. Wilson?

A. I am a burglar. That is what we call it in the trade. We are burglars.

Q. What does that mean?

A. Burglar alarm service.

Q. Are you connected with some company engaged in that business?

A. Yes.

Q. What is the name of that company?

A. Surety Alarm Company.

Q. Are you connected with the Central Alarm Company?

A. Yes, sir.

Q. What position do you hold with that company?

A. I am president.

Q. What position do you hold with—did you say Surety [fol. 7170] Alarm Company?

A. Yes.

Q. What position do you hold with that company?

A. I am also president of that.

Q. Do these two companies do different types of protective service?

A. No, the same type.

Q. What is the place of business of those two companies?

A. 1114 West 2nd Street, Los Angeles 12.

Q. How long have they been in business?

A. Oh, August 23rd, 1917.

Q. Both of them?

A. Yes.

Q. How long have you been associated with them?

A. Since August 23rd, 1917.

Q. In what area do they operate?

A. General metropolitan and surrounding suburban towns.

Q. By that you mean Metropolitan Los Angeles?

A. Metropolitan Los Angeles and surrounding suburban towns.

Q. Like Inglewood, Hawthorne, Beverley Hills, places like that?

A. Right.

Q. Are they engaged exclusively in local burglar alarm [fol. 7171] service, or are you also engaged in central station service?

A. Well, we don't have our own central station, if that is what you are asking.

Q. You don't?

A. No.

Q. Do you furnish central station service?

A. We do have a connection in a central station where we are stockholders, that we can go into that station.

Q. What is the name of the company that operates that central station?

A. The Protection Engineering Corporation and the American Fire Dispatch.

Q. Are you a stockholder of both of those companies?

A. Stockholder in Protection Engineering, and equipment furnisher—we furnish equipment for American Fire Dispatch.

Q. I take it you have no supervisory job or direction of any of the service furnished by either of those two companies?

A. No, I don't.

Q. You are simply a stockholder in the one company, is that right?

A. That is right.

Q. How long have you been using the facilities of these [fol. 7172] two companies for the provision of central station service?

A. Well, we are just starting to use the one. The other one about six, seven years.

Q. Which is the one that you use?

A. Protection, Protection Engineering.

Q. For six or seven years?

A. Yes.

Q. What is the type of service that you render by means of the connection through those two companies?

A. Well, through that connection and through telephone answering services, we render intrusion alarm service and sprinkler supervision.

Q. You mentioned telephone answering services. Do I understand by that you mean an organization that runs a telephone answering service?

A. There are many so-called telephone answering services over the City and over the United States, and a lot of the alarm companies that don't have access to a certified or a regular central office uses the answering service primarily because they already have their telephone connection into those answering services.

Q. How long have you used telephone answering services for the purpose of rendering your type of protective service?

A. I would say 30 years.

[fol. 7173) Q. Is it a satisfactory type of service?

A. Well, it is the best that we have available other than expending the money to go into a central office.

Q. Through that means you furnish both burglar alarm and sprinkler supervisory service?

A. That is right.

Q. How many such telephone answering service organizations do you use in connection with your work, your service?

A. In the City of Los Angeles something like, I would say, 15, 18, something like that.

Q. Do you have any idea how many such telephone answering organizations there are that are engaged in that type of service?

A. I would say in the City there is probably 75, 100.

Q. Seventy-five or one hundred?

A. Between 75 and 100 in a small way; each one of them may have four or five units from some company in them.

Q. I take it that the way that operates is that your subscriber's premises is connected into the telephone answering service, where the signal is received in case of an intrusion or in case the actuating device of the sprinkler supervisory system is touched off?

A. That is right.

Q. And then that signal is transmitted by the telephone [fol. 7174] answering service to the appropriate authorities?

A. That is right.

Q. I take it probably to you also, is that correct?

A. That is right.

Q. Are those the two types of central station service that you provide, the burglar alarm and the sprinkler supervisory, in that fashion?

A. That is right.

Q. In addition to that do you also furnish what is known as local burglar alarm service?

A. That is right.

Q. Have you been furnishing all three of these types of services since August, 1917?

A. No.

Q. Or is this central station through telephone answering a more recent development?

A. No. This started probably 25 or 30 years ago.

Q. The telephone answering use?

A. Yes.

Q. And the local burglar alarm prior to that?

A. That is right.

Q. So that there were a number of years in which you furnished only local burglar alarm service, is that correct?

[fol. 7175] A. That is right. There wasn't enough telephone answering service to—available at that time, and even though we got inquiries on that type of service we couldn't very well handle it to give any kind of service until we did—until we could get into the answering services.

Q. By "local burglar alarm service" I mean—and I guess you agree with me—the use of the installation of a gong or bell system, or perhaps a light, flashing light system, on a subscriber's premises, the devices not being connected to any office, where any signals are received; is that right?

A. Well, in this area I don't believe anybody uses anything except a bell.

Q. A bell or a gong on the exterior of the subscriber's premises?

A. Yes. You are not allowed a siren and they don't go into the lights.

Q. Just a gong?

A. Yes.

Q. It is a gong or an alarm that is sounded solely on the exterior of the subscriber's premises, is that correct?

A. That is right. Exterior, on the inside or the outside of the subscriber's premises.

Q. Now, at the time that you entered this business, in August of 1917, were there any central station service com-

[fol. 7176] panies in existence, doing business here in Los Angeles?

A. Yes, A.D.T. was here.

Q. Any others?

A. One other, I believe. Or shortly after I entered the business. I am not—it is a number of years back.

Q. Sure, I can see that.

A. It might have been shortly after that I started—that this other company started in central office.

Q. What company was it?

A. Pacific Burglar Alarm. It is no longer in existence; it was sold to A.D.T.

* * * * * * *

Q. How about companies furnishing local burglar alarm service? Were there some of those in existence in 1917?

A. Oh, yes.

Q. Are they still in existence today, some of them?

A. I believe there is one.

Q. Which one is that?

A. My own.

Q. I mean the others.

A. I don't believe there is any other.

Q. I have been informed—and you can correct me if I am [fol. 7177] wrong—that local burglar alarm companies operating in this city have to have a permit or a license from the police department; is that correct?

A. They have to obtain a license and identification cards for the owners or managers and all the men who work in the field; not for office help.

Q. Do you know approximately how many of those licensees or permitees there are in Los Angeles at the present time?

A. About 23.

Q. Now sprinkler supervisory service in essence is a form of protection against fire, is it?

A. That is right.

Q. Does that also include, as you render it, what is known as waterflow service?

A. That means the same thing.

Q. What that means is that there is an actuating device installed on the sprinkler system, and when for one reason or another, by virtue of the flow of water, or high temperature rise, or I don't know whether you have smoke detection——

A. No, we haven't any smoke detection out here. It hasn't gotten, I don't believe—there is very, very little of that kind of work done out here.

Q. Mostly waterflow?

A. That is right.

[fol. 7178] Q. And temperature rise?

A. Yes.

Q. When those conditions come into being, then these devices are actuated and cause the transmission of an alarm to your telephone answering service, is that correct?

A. That is right. However, we are not able to give them any insurance credits. We can only give them the addi-

tional protection to be able to get the fire department there maybe a little sooner than a local bell fire alarm.

Q. You are talking now about your sprinkler supervisory service?

A. That is right.

Q. That is an unapproved type of service?

A. That is right.

Q. How about your burglar alarm service through telephone answering; is that approved or unapproved?

A. About 99½ per cent of that is unapproved.

Q. How about your local burglar alarm service?

A. That is the same way.

Q. Unapproved?

A. Yes.

Q. So that basically your whole business is of the unapproved type——

A. That is right.

Q. —which does not entitle your subscribers to any [fol. 7179] premium discounts, is that right?

A. No, that is correct.

Q. Approximately how many local burglar alarm customers do your companies have today? I don't want the names of them; I just want the numbers.

A. Oh, I imagine these companies involved here have somewhere around twenty-three- twenty-five hundred.

Q. How about the number of customers of burglar alarms through the medium of the telephone answering service?

A. Oh, 35 to 50.

Q. And sprinkler supervisory and waterflow?

A. About five.

Q. Can you tell me what the annual number of customers of those three branches has been, say, for the past five years on an annual basis? I mean what were they for 1960, for example, the figures you gave me just now?

A. Well, '60—since September, '59 we have—we have purchased five other companies.

Q. What were they?

A. Small companies.

Q. Yes.

A. We purchased the Surety, which we owned years ago and sold to another party. We purchased Advance.

Q. Advance—what?

A. Burglar Alarm. We purchased Coast.

[fol. 7180] Q. West Coast?

A. No, Coast.

Q. Coast Alarm Company, is that right?

A. Yes. And we purchased De Roche Alarm Company.

Q. Roach?

A. De Roche.

Q. How do you spell that?

A. D-e R-o-c-h-e.

Q. Were they all local burglar alarm companies?

A. That is right.

Q. Were they operating in the same way as you do, through telephone answering?

A. The same way, yes.

Q. As a result of the acquiring of these five companies I assume that you took on a number of additional subscribers, is that correct?

A. That is correct.

Q. What had been the number of your customers in each one of these categories, local?

A. About 1,200 in local and about, oh, I'd say five or six in central, in silent.

Q. Burglar?

A. In silent alarm.

Q. And SS?

A. Didn't have any.

Q. These numbers you have just given me now pertain [fol. 7181] to the time prior to 1959, when you bought these five companies?

A. That is right.

Q. And those 1200 local burglar alarm subscribers that you had prior to 1959, was that a number which had been increasing over the years?

A. Increasing one a month or so for a number of years. You lose one or two and you gain three or four.

Q. Yes.

A. It's been a gradual gain over the years.

Q. So it would be a net increase over the years of a small number running from one or so a month?

A. Oh, we probably gain 12, 15 or 20 a year.

Q. Prior to 1959 you had no S.S. or waterflow customers?

A. No.

Q. Now, that is the customer situation. Now I would

like to ask you about the total revenue of your company. Again I only want approximate figures.

A. I have no idea because we bought these companies, and in the middle of the year we sold half of them out.

Q. Which ones have you sold?

A. Well, we just sold a number of the accounts, not any companies.

Q. Who bought those accounts?

A. Another corporation.

[fol. 7182] Q. Do you have any objection to stating the name?

A. I believe it is Burglar and Fire Alarm Corporation.

Q. Burglar and Fire Alarm Corporation?

A. That is right.

Q. Here in Los Angeles?

A. That is right.

Q. Is that a local service company, local burglar alarm service company?

A. That is right.

Q. Again employing telephone answering service?

A. Exactly.

Q. Well, prior to 1959, before you acquired these companies, when you had 1200 local burglar and just a few of the other type, how was your annual revenue running?

A. Well, it is easy to figure out. You take an average of $7 or $8 monthly and multiply it out. That is about where you will end up.

Q. By 1200?

A. That is approximately that.

Q. And for the prior year, doing the same thing, reducing that 1200 by anywhere from, say, 15 to 20 accounts each year, is that correct?

A. That is correct.

Q. Now, for the years 1959 and 1960 can you give me any estimate of the total annual revenue?

[fol. 7183] A. If you would multiply that by five you would come up right.

Q. Multiply what by five?

A. What you had in '59.

Q. The 1200?

A. Yes.

Q. By five?

A. Yes.

Q. Why did you use the figure of five in that case?

A. Well, it is just about that many accounts. We ended up with a little better than 5,000 accounts after I bought all the others.

Q. Five thousand accounts?

A. Yes.

Q. Multiplied by eight?

A. Seven, around seven or eight, yes.

Q. A month?

A. Yes.

Q. At the present time, however, you have, if I can use the phrase, siphoned off a certain number of accounts to this Burglar Alarm Company?

A. That is right.

Q. How many of those, approximately?

A. About half of what we had altogether.

Q. So that your total was 5,000——

[fol. 7184] A. A little over.

Q. —after you acquired these companies?

A. A little over, and we siphoned off about half.

Q. So that you now have roughly 2,500 total accounts?

A. Somewhere around that, yes.

Q. And your present income, then, gross, would be roughly 2500 by seven?

A. Seven, seven and a half, yes.

Q. Seven and half per month?

A. Yes.

Q. Is the bulk of these 2500 accounts presently purely local?

A. Oh, yes.

Q. What?

A. Yes.

Q. What percentage of the total of 2500 is purely local, would you say?

A. There is about 30—between 30 and 35 that are silent or central office, into answering services, and a few of the same into——

Q. Central stations?

A. Yes.

Q. So the difference between 2500 and 35 up to 50, say, would give you the net?

A. No, we don't have that many. Thirty-five would be the top.

[fol. 7185] Q. Would give you the net of the local burglar alarms that you have now?

A. That is right.

Q. So that essentially you have been running, maintaining, a local burglar alarm service with a very high number of subscribers, really, ever since 1917, isn't that right?

A. Well, not really a high number.

Q. Well, you had 1200.

A. 1200 in 1959 from '17 is not a very fast growth.

Q. It is a big jump.

A. It is not a big jump when you cut it into years.

Q. Let me ask you this. How many did you start with in 1917?

A. One.

Q. One?

A. Yes.

Q. Is that the time when you went into business for yourself?

A. That is right.

Q. And you gradually built that up?

A. That is right.

Q. Increasing each year anywhere from 12 to 20 accounts?

A. Yes.

[fol. 7186] Q. In your opinion, is a local burglar alarm protective service an effective means of protecting property?

A. It is a means of protecting the man that wants to spend the least amount of money.

Q. Does it afford protection?

A. Well, I would gather it does, since I would say over the United States, I would make—hazard a guess that 90 per cent of the alarms are locals, purely because the man doesn't buy burglar alarms, the customer doesn't buy a burglar alarm, only because he asks for insurance and an insurance man says, "You have to put on bars, or have a burglar alarm," or something, and he figures the cost of the two, and if he goes to the local alarm—he goes to the local alarm and doesn't get the insurance because he feels he can't afford both.

Q. Can't afford both what?

A. Both the burglary insurance, and the burglar alarm, and the bars. Or he can't afford the—to go into the—all three of them, and the only time that he does is when the insurance company forces him into it.

Q. Do you mean by that there are cases in which a subscriber——

A. Carries no insurance.

Q. —has an election, so to speak, between local burglar alarm service——

[fol. 7187] A. Any customer does.

Q. —or insurance?

A. Any customer can say, "I am not going to carry insurance; I am going to carry my own insurance."

Q. Does that happen?

A. Oh, yes.

Q. Have you experienced that in your business?

A. Oh, yes.

Q. Is that a fairly common situation?

A. In the very small accounts, yes, the little neighborhood grocery store, and this sort of thing.

Q. Do they number a great many?

A. Not a great many, I don't suppose.

Q. Well, percentagewise what would you say?

A. Oh, I would say those that have no insurance would be probably 15 or 20 per cent of the total over the United States.

Q. That do have local burglar alarm service?

A. Yes, but have no insurance.

Q. Do you have written forms of contracts for the service which you render?

A. Yes, we do.

Q. Have you brought with you copies?

A. No, I didn't bring one. I can mail you one.

Q. I will make this suggestion, if you will. I will ask that you attach to the deposition here at the time you sign [fol. 7188] it, before Mr. Schwab, a copy of your form of contract which you use; would you do that? Or just deliver it to Mr. Schwab instead of mailing it to me. You see, this deposition is going to be filed.

A. I can mail it wherever he tells me to.

Q. All right.

Mr. Fritz: Mr. Schwab, you get it and mark it as Defendants' Exhibit 1 in this case.

. . . . . .

[fol. 7189] Mr. Fritz:

Q. Do your contracts provide that your company shall retain title to the property which is installed on the subscriber's premises?

A. Yes.

Q. Has that always been so, since 1917?

A. That is right.

Q. I take it that that is a usual provision in the protective service industry?

A. I believe that is pretty well universal all over the United States.

[fol. 7190] Q. What is the usual duration or period of time of your contracts?

A. It used to be a year. It's finally graduated to three to five years.

Q. Is there a provision in the contract for automatic renewal at the end of any given period?

A. At the end of any expiration point.

Q. Do you have numbered among your present local burglar alarm subscribers people who first became subscribers many years ago?

A. We have four or five that came in the early twenties.

Q. How large a group do you have now of people who have been with you, say, for 15 or 20 years?

A. Oh, 25, 30, 40 per cent of our customers.

Q. I suppose if you narrowed the time down to ten years you would have a still larger percentage, is that correct?

A. Possibly.

Q. Do you manufacture the equipment which you use in connection with your protective service business?

A. No.

Q. You purchase it, do you?

A. We represent the various companies who do manufacture equipment through another corporation that I own, and we buy from that corporation and assemble it.

[fol. 7191] Q. What is the name of that corporation?

A. It is a sales corporation.

Q. And the name?

A. Oh, the name is Everlast Electronic Signal Company.
Q. What is the source of supply to that company?
A. Five major manufacturers in the United States.
Q. Who are they?
A. Ademco, Selco.
Q. How do you spell that?
A. S-e-l-c-o.
Q. Where are they located?
A. Chicago. The other one in New York.
Q. Ademco in New York?
A. Yes. Potter in St. Louis and Fire-Lite in New Haven, Connecticut, and Elman in—what the hell, he is in Florida somewhere.
Q. Elman?
A. Elman, yes.
Q. What kind of devices do you buy from Selco?
A. Bells and various door contacts and window contacts.
Q. And Fire-Lite?
A. Fire alarm equipment and bells.
Q. For installation on sprinkler supervisory systems?
A. No, for local fire alarms, such as rest homes, schools, [fol. 7192] hospitals and hotels.
Q. Then there is here in Los Angeles, is there, a certain segment of monthly fire alarm service, protective service?
A. A very small amount.
Q. But there is some?
A. There is some, yes.
Q. In what kind of establishments is that service rendered?
A. About four years ago, during and after the time they had the big fire in Chicago and in Boston.
Q. In the school?
A. In the schools and in the—in some of the theaters, and that sort of thing. The State of California set up a provision that all rest homes, all apartment houses over two stories, all hotels over two stories, or motels, all schools, and all apartment houses over two stories, were to have a State-approved fire alarm system.
Q. Is that State-approved fire alarm system of a local character?
A. Sometimes. In most cases, yes.
Q. Just generally what——

A. Once in a while they have some that want connection to help them get the fire department there faster.

Q. What is the nature of the installation where it is [fol. 7193] local?

A. It is automatic, automatic and manual. They generally have one manual box and the rest of it is heat-actuated devices.

Q. When you say "manual box" do you mean a manual fire alarm box that is connected into the municipal fire department?

A. No, not in the City of Los Angeles.

Q. I don't quite understand how that manual box operates.

A. Well, suppose that somebody saw a fire in this building and it hadn't had time to set off the alarm from one of the thermostats or heat-actuated devices. All they have to do is break that little glass and it automatically sends off the alarm.

Q. But it sends off the local alarm on the premises, is that correct?

A. Unless it is connected somewhere.

Q. The bulk of this type of service is of the local variety?

A. That is correct.

Q. Am I correct in assuming that in these rest homes, hospitals and schools, and so forth, it means the location of these alarm bells at various points in these buildings?

A. That is right.

[fol. 7194] Q. So that when they are actuated, either by temperature rise or by the use of the manual box, it gives the alarm all throughout the building, is that correct?

A. Right.

(Whereupon a discussion was had off the record.)

Mr. Fritz:

Q. Do I take it, Mr. Wilson, that all of the schools in the State of California——

A. No. Only the ones who have the number—there is a number required of children.

Q. A minimum number?

A. A minimum—over a maximum—over a minimum, then they must have it.

Q. I take it that applies to a very large number of schools throughout the State?

A. Yes.

Q. And in those schools, where they have the required maximum, they are all required by law to have these systems that you talked about before?

A. That is right. And 90 per cent of the work is done by the electrical contractors.

Q. In the City and elsewhere?

A. In the City and in the State.

Q. And by "electrical contractors" you mean what?

A. I mean an electrician who contracts to install electrical wiring.

Q. Not people who are engaged in the protective service [fols. 7195-7196] business at all?

A. That is right.

Q. So am I right in assuming that these electrical contractors who did that work are in a sense competitors of the protective service businesses?

A. Not really. These are connected into the 117-volt systems, and so it is partly their—it comes under their union contract, so we sell equipment to them. They go ahead and install it.

Q. But somebody would have to provide the service to these installations under the law?

A. That is right.

Q. And if the electrical contractors and individual electricians didn't do it, somebody else would have to do it, is that right?

A. That is right.

Q. That includes not only the schools but hospitals, rest homes and any other——

A. Hotels, apartment houses.

Q. Hotels, motels?

A. Over two stories.

Q. I suppose the total of those installations numbers many, many thousands throughout the State?

A. Yes. I presume, taking in the total category, there would be quite a number.

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[fol. 7197] Q. What is the practice of your service companies, Mr. Wilson, upon the termination of a subscriber's contract for service with respect to the removal of equipment from a subscriber's premises? Do you remove it, or leave it?

A. Sometimes you do.

Q. Sometimes you do what?

A. You do remove it. Most of the times you leave it setting there for a few months, hoping someone will move in on it.

Q. If that doesn't happen, then what?

A. Then you remove it.

Q. So, generally speaking, if there is not going to be any use for it your practice is to remove it, is that correct?

A. Remove what portion that the owner of the building wants out of the way.

Q. There is some part of the installation, I take it, that is not economically recoverable, is that right?

A. No, it wouldn't be—well, it would depend on the situation. If you had a competitor trying to take your sub-[fol. 7198] scriber away from you, it would be economical to take it out.

Q. Your general practice is to remove it, is that right?

A. Remove it after a certain length of time, yes.

Q. In connection with all types of your service, do you make both an installation charge and a service charge?

A. Whenever it is possible.

Q. Now, are there circumstances when you find it isn't possible?

A. Once in a great while you find a customer that you have competition on, that some alarm company wants it, he is close to him, or some way or other he figures he can make money by making a very small installation charge.

Q. Then what do you do?

A. Well, if you want the job you have to meet it or do better.

Q. What are the elements—I am not asking you now for numbers or I am not trying to find out what your prices are—that you take into account in arriving at the installation charge?

A. Well, you walk into this room. If you are going to take this room you have three doors and two windows.

You figure the cost of the labor involved in setting in the system, in protecting the three doors and the two windows. [fol. 7199] Q. So your installation charge is essentially a labor charge?

A. That is right.

Q. And that is because the equipment as such continues to be owned by the company, is that right?

A. That is right.

Q. Now, the annual service charge is predicated upon what items, what elements?

A. Well, we have a minimum, and over that it is—if you charge over that it is because the building has much more wiring in it than your minimum would handle.

Q. Do you have any so-called standard installations and, therefore, standard or scheduled fixed prices that are applicable to all premises?

A. No.

Q. Why is that?

A. Just you never know how the building is built, whether it is made of concrete, whether it is made of wood, whether it is made of stucco. It all depends on how much labor you are going to have involved when you run into it.

Q. And also, I suppose, what the subscriber's requirements are for protective service, right?

A. That is right.

Q. So am I correct in suggesting to you that both the [fol. 7200] nature of the installation and the price charged is more or less tailored to the customer's needs?

A. Tailored to the customer's needs, or what the salesman can sell him.

Q. Which takes into account the element of competition, I take it?

A. That is right.

Q. Have your prices, both for installation and service charges, increased over the years?

A. Over the past ten years they have probably increased ten per cent.

Q. To reflect, I imagine, the increased cost of labor and material, is that right?

A. To try to help reflect, at least.

Q. Yes.

A. It hasn't done it by any means.

Q. Now, what are the types of services that you find in Los Angeles and the outlying communities that compete with the type of service that you render?

A. Well, the central office, of course, competes with us in many ways.

Q. Do the other local burglar alarm companies also compete with you?

A. Oh, yes, they are competing.

Q. When you say that they compete with you, you mean by that, I take it, that when you go out to put in a bid on a [fol. 7201] job, that you are very often bidding against central station and local burglar alarm companies, is that right?

A. Not on the real small jobs, not on the little, small operation that hasn't very much stock involved and wouldn't go into a big insurance volume, or anything like that. Any time you go into a building where there is, oh, a company that has about $100,000 worth of silk and woolens, it is impossible to sell them a local alarm. They have to have central office protection and the works. They have to have the sprinkler supervision and the whole thing.

Q. Did you bid on that job?

A. We were called in for a local system and we weren't able to bid on the job after we found out that they had to have the full coverage.

Q. From the standpoint of the various companies here in Los Angeles, there are a number of central station services engaged in business here in Los Angeles besides the American District Telegraph Company, are there not?

A. One, two, three, four, five—six, exactly.

Q. Does that include Monarch, which I understand——

A. Monarch is just coming in. He isn't in operation yet.

Q. That will be another one?

A. Seven, yes.

[fol. 7202] Q. Then, I take it——

A. It started about seven years ago.

Q. In the local field?

A. In the central office.

Q. Who did?

A. Well, I mean, the first company out of the six or seven.

Q. I see what you mean. The first one was which? Was it Morse?

A. I am not sure when Morse—I believe Morse came in first and then P.E.C., or Protection Engineering, Corp. and then A.F.D., and then Standard, and then Pacific, and then Monarch came in.

Q. Do you find that all of these companies compete with you in your efforts to procure business?

A. Oh, yes.

Q. Do you find on occasions that each one of these named companies get contracts, and on other occasions you get them?

A. Oh, that has happened, yes.

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[fol. 7203] Q. So I take it that you wouldn't be able to tell me what contracts you have lost over the years to A.D.T., or what contracts A.D.T. has lost to you over the years?

A. Well, I can tell you what contracts A.D.T. has lost to me over the—pretty well over the years.

Q. Can you? I would appreciate that.

A. There were three of them. Do you want the names of them?

Q. If you have them.

A. One of them was Wyeth Laboratories, a pharmaceutical house. And I don't recall the other two names. They were down here on Los Angeles Street. They were in the garment manufacturing business.

Q. What kind of service was involved?

A. Central office.

Q. And in those cases you furnished what; local alarm-

[fol. 7204] connected?

A. No, central office alarm.

Q. Of the type that was connected through one of the other central station companies?

A. No. It came into one of our answering services.

Q. In all three cases?

A. It came into the answering service—well, two of them came into the answering service that I have been in here for 32 years, that handle my calls when we are out.

Q. What is the name of that answering service?

A. That is Proxy Telephone Answering Service.

Q. You have used that for 32 years?

A. Mainly for the use of answering our phone when there is no one in our office. We have a phone connection to there.

Q. Have you also used it for protective service?

A. About 15, 20 years.

Q. It was that type of service that you——

A. Brought two of them in there. The other went—the Wyeth Laboratories went into Protection Engineering.

Q. Is that W-y-e-t-h?

A. W-y-e-t-h.

Q. Has A.D.T. procured contracts from subscribers in bidding against you?

A. They have taken a number of my own subscribers [fol. 7205] from local alarms to central office, yes, over the years.

Q. Very many?

A. Oh, yes. It happens 15, 20 times a year.

Q. How about Morse, Standard, and all these other central station companies; you bid against them, I take it, too, right?

A. Oh, yes.

Q. In some instances you procured the contracts, I take it, and sometimes——

A. Once in a while, yes. I think we get our share of it.

Q. I beg your pardon?

A. I think we get our share between those companies. We are old-timers here, and they are newcomers, and that makes a little bit of difference in our favor.

Q. You have established a reputation, so to speak, with your service, have you not?

A. Yes.

Q. When I say "a reputation" I mean a good reputation.

A. Well, I believe so. We have had a couple of police checks on this sort of thing over the years where our company came up as No. 1 in quick service and good service over anything in the City.

Q. Is that the subject of any written report, do you know, in the police department?

[fol. 7206] A. I believe at one time they had some report on that. It is a number of years ago.

Q. Are you talking now essentially about your local burglar alarm service?

A. Talking about burglar alarm service in the City of Los Angeles.

Q. But your rating was based upon your local burglar alarm protective service, I take it?

A. Right. However, our rating wasn't too far, particularly with A.D.T., because our number of alarms didn't match with A.D.T. at the time in the City, but we did have a better show-up. That was pretty well due to the fact that we have fellows with us, that have been with me for many years. One man has been there since 1927, another one has been there 26 years, and another one for 18 years, and another one 15 years, and another one 11 years.

Q. What is the value of that in connection with the quality of protective service that is furnished?

A. Well, those fellows have a lot more—they feel a lot more about taking care of the service than just the incidental employee.

Q. Are they people who have a financial interest in your company?

A. No, no interest whatsoever.

Q. They are just loyal employees?

A. Just because they—its been over the years. A number [fol. 7207] of times I have financed the hospital, and that sort of thing, for their children coming, so they are treated pretty well. They have as good or better salary than anybody in town.

Q. And they give the best they have?

A. That is right, because they work in all angles, and if they sell a job they want to sell it on the basis that will give the least—take the least amount of service.

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[fols. 7208-7209] Cross-examination.

By Mr. Story:

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[fol. 7210] Q. After 1930 did any other central station companies come into the Los Angeles area?

A. Somewhere around, if I remember right, 1950, Morse came in.

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[fol. 7211] Mr. Story:

Q. Mr. Wilson, do you consider a telephone answering service a central station?

A. No, it is not a central station.

Q. Do they get any credits whatsoever from the insurance standpoint for a telephone answering service?

A. I have never known of anyone getting a credit. If I did I would try to get some on some of mine.

Q. You have some telephone answering service accounts?

A. Yes.

Q. Do you do anything in training the operators to handle these alarms that you have into the answering service?

[fol. 7212] A. We write up a schedule as to what they are to do, and any time they have an alarm they pick up the card and they do what the card says. That is about as far as they know—they are able to do.

Q. Do these telephone answering service accounts of yours have a local guard there that you dispatch——

A. No.

Q. —to the premises where an alarm is sounded?

A. No.

Q. While we are on that subject, could you give us some of the advantages, as far as purely protection service is concerned, of a central station operation over a telephone answering service?

A. Well, they have trained personnel who are—they also have to handle other types of—you know, a doctor may be calling in, or some patient calling in, saying, "My wife is going to have a baby," and they are also handling the doctor's telephone, so they—I presume if there was an

emergency they would be trying to get the doctor—they would let the alarm wait. I would say that probably will happen with the answering service. And then of course the insurance credits.

Q. Central stations do receive insurance credits for this service?

A. That is right. And they immediately log the signal, of the time and everything, where—the answering services [fol. 7213] are not the answer, but they are better than nothing to be able to furnish that type of service.

Q. Sir, could you give us any idea as to how you compile your monthly service charge for your telephone answering service accounts? What items do you take into consideration to——

A. For a central office account?

Q. For a telephone answering service.

A. If we are going to sell a subscriber and bring him into a central office—into a telephone answering service?

Q. Yes. What elements do you consider?

A. Well, we have our telephone line, of course, which is always a direct line, and the charge from the telephone answering service, and they charge us $5, where they don't check the customer in and out, or don't log the time he opens and closes, and if they do log it then they charge $10, or $8—$8 to $10. And any time they make a telephone call, dispatching any calls, they charge for the calls as well.

Q. Approximately what would be an average monthly service charge on your telephone answering serice?

A. About $5 to $6.

Mr. Fritz: Is this by the telephone answering service to your company?

The Witness: That is the telephone answering service [fol. 7214] charge to us.

Mr. Fritz: Is that what you had in mind?

Mr. Story: Yes, sir.

Q. Your usual telephone line rental charge is $5?

A. No. About the average telephone line rental is, well, $5 to $7, say around $6.

Q. What do you bill your people for the month for telephone answering alarm service?

A. Well, $12 is our cost and the minimum we can work

on on the average store is another $12, so we are up to $24 or $25 a month.

Q. Now, on a central station operation of about a similar size, about what would your central station monthly service charge be, if you know?

A. Well, where we are bidding—most of the time if we get central—if we are able to sell central office service it is because we are not competing with a central office who is close to it or has a tour line in the area. If they have a tour line in the area they will give them the service and and the guard service for the small store, about $20, $25 a month.

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Q. And you get no insurance discounts on your telephone answering service?

[fol. 7215] A. That is right.

Q. They could get insurance credits with a central station system?

A. That is right, if they make the proper installation.

Q. How do you get any telephone answering service accounts? How do you get any accounts?

A. If one man sat on one corner and another man sat on the other corner a certain amount of people are going to come to one man and a certain amount of people are going to come to the other man because they are not going to bother to cross the street and call someone else.

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[fol. 7216] Q. About how many accounts did you have like that, sir?

A. Oh, we had three or four, something like that.

Q. Is that at a high during your period of time?

A. That is right. In the City of Los Angeles we are not allowed to go into the fire department direct.

Q. Do you know what other areas in the Greater Los Angeles Area where you cannot go into the fire or police department?

A. The complete area covered by the City of Los Angeles you are not allowed to. The only time that you could go [fol. 7217] direct in is if we were able to sell into the County Treasury, or in the State Treasury, or the City Treasury,

something along that line. Then we would—if we made the bid and were able to get it we would be able to go into the fire or police station.

Q. But they only allow an alarm that is on the City or State installation going in?

A. That is right.

Q. What about Los Angeles County?

A. In the County they don't allow them into the Sheriff's offices.

Q. Approximately how many——

A. In the fire departments, yes, in the little towns, but not in the County Sheriff's offices.

Q. Approximately how many separate municipalities do you have within Los Angeles County?

A. I never even thought about it.

Q. Could you tell this——

A. I would imagine there are at least three or four hundred.

Q. Do you know how many of these separate municipalities allow alarms to be connected to the police or the fire department?

A. Well, pretty near everyone of them will allow some connection into the police department or the fire department; not particularly the fire department, unless you do [fol. 7218] set yourself up to a certain standard and become rated by the Pacific Fire Rating Bureau. But in the police stations they will take them because two or three of the city fathers that have stores want that protection in there, and there is nothing else they can get.

Q. Your company operates pretty well throughout the Los Angeles County area, is that correct?

A. Fairly so, yes.

Q. How many direct-connected accounts do you have in your company?

A. This particular company I believe has about 30.

Q. And you have been in this business, seeking direct-connected accounts, for what period of time?

A. Any kind of business that we figure that we can—where the subscriber, we figure, is stable and we figure the sale will be lucrative, yes.

Q. So since 1917 to date you have 30 direct-connected?

A. That is correct.

Q. Mr. Wilson, how many central station alarm accounts have you tied into the Protection Engineering Corporation?

A. At one time we had, I believe, five. I believe we have four there now.

Q. Have you tried to tie your alarm systems into the central stations of any other central station protection [fol. 7219] company?

A. The American Fire Dispatch are very good friends of mine, and I furnish a lot of equipment for them from my sales company. And they have agreed to let me bring something into—some accounts into their station if they are in their area, in their close, immediate area.

Q. Do you have any in there now?

A. No. We don't have in there now.

Q. Have you ever tried to tie any one of these alarm systems into A.D.T. or Morse?

A. Morse would allow us to come in, I believe, because while I don't think they would let the other companies come in, I believe we could get in because I have been sort of a granddaddy of the alarm business around here.

Q. Is that a usual thing, that the local alarm companies are allowed to tie into the central station?

A. In some areas they set up where they can—they will give them the same type of service that they do—practically the same type of service that an answering service does. I think that was started by McDowell in New York about four or five yeas ago.

Mr. Fritz: Central station?

The Witness: Central station signals.

Mr. Story:

Q. Let me ask you this. When you tie one of your alarms [fol. 7220] into that central station are you allowed any insurance credits?

A. No, not unless we put it into their name and act as an agent for them.

Q. Why can't you get any credits?

A. You have to set it up and have the central station approved, and the approval has to come under their name.

Q. Mr. Wilson, you testified on direct that your company didn't come in contact or in competition with the cen-

tral station protection companies on what you called a small job, is that correct?

A. Well, on the little customer whose service cost would be somewhere around $80 or $90 a year, the central office are not interested in that type of business.

Q. I think you indicated your company at the present time had about 2,500 local alarms, is that correct, sir?

A. Something like that.

Q. What percentage of that 2,500 would you consider to be a small account that a central station company would not be interested in?

A. Well, I would say about 50, 55 per cent.

Q. Now, I take it that you are approved by Underwriters' Laboratories for certified local alarm service?

A. We are in the process of doing that.

Q. You are in the process now?

A. Yes.

Q. Would you tell us of the type of businesses where [fol. 7221] your company would be bidding and what central station protection company would also be interested in bidding?

A. Well, fur stores, tire stores, liquor stores.

Mr. Fritz: Jewelry stores?

The Witness: Jewelry stores, anything that they call in the insurance trade, insurance business—they call it target risks. It is the type of business that they are very——

Mr. Fritz: Susceptible?

The Witness: —susceptible to burglars and who have a lot of money involved in stock and, therefore, carry quite a bit of fire and burglary or generally block insurance, they call it.

Mr. Story:

Q. In bidding on that type of an account you occasionally run into the salesmen of A.D.T.?

A. Oh, yes.

Q. Or the central station companies?

A. We always run into them.

Q. Now, in those instances, on that type of business, the target risk, have you lost any of those accounts while bidding against the central station companies because they required an approved setup?

A. Yes. Oh, yes.

Q. Could you give us any idea as to how extensive that is?

[fol. 7222] A. Well, I don't do the selling but I do know—do hear—do know of the calls that the salesmen make. I know about how many calls they make because I check that myself to see whether they are doing their job or not. And if we don't get any answer out of the job I have them make a report to me as to what happened, and I hear that, but I don't make any record of the amount or anything because I feel it is of no value to me to cry over spilt milk.

Q. Could you give us any idea how many of those accounts that you are foreclosed from getting because of the requirements of the insurance companies?

Mr. Fritz: Just a moment. I object to the form of the question.

Mr. Story: Read the question.

(Whereupon the pending question was read.)

Mr. Story:

Q. You may answer that.

A. Well, the only thing I have is I might say any time that we run into that situation we are pretty well out of the picture regardless——

Q. Because you can't furnish approved——

A. That is right.

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[fol. 7223] Q. Out of your 2,500 local alarm accounts do you have any local fire alarm accounts?

A. Not in the Central Burglar Alarm Service, no.

Q. What do you mean, Central Burglar Alarm Service?

[fol. 7224] A. That is the name of this company that we were subpoenaed under. That is what I go by here.

Q. In other words, that is the company that we are getting the testimony on today?

A. Oh, we do have one. We do have one. It goes into the Montebello Fire Department.

Q. It goes into the Montebello Fire Department?

A. Yes.

Q. Is that a direct-connected?

A. Yes.

Q. Do you have any other of what we call a local fire alarm?

A. Do you mean a local bell fire alarm?

Q. Yes.

A. Not that we own. We have sold some, yes.

Q. In other words, you sell the equipment outright?

A. We sell the equipment, sell the installation and the equipment outright in most cases.

Q. What type of installations are those?

A. That is the rest homes, and the apartment houses, and the schools and churches, that sort of thing.

Q. Do you have any contracts to service these alarms?

A. I believe we have two of the rest homes where we have a contract to make a yearly check for $25, check the system once yearly for $25 a year.

[fol. 7225] Q. Now, does your company have any local fire alarm systems which have been installed and use service under contract at any commercial or business establishments here in Los Angeles?

A. I don't believe so, no.

Q. By the way, does the American District Telegraph Company engage in the local alarm service here in Los Angeles?

A. I have never run into them on bids.

Q. Have you ever seen any installations where the A.D.T. had a local alarm here?

A. I don't believe so.

Q. And that is during what period, sir?

A. Over the years.

Q. 1917 to date?

A. I have never run into any local alarms that they had.

Q. During that period from 1917 to date you have been out and about the City of Los Angeles, looking for business?

A. Well, much more in the past years than I do now.

Q. With all that search for business you have never seen a local alarm——

Mr. Fritz: He said "local fire alarm."

Mr. Story:

[fol. 7226] Q. I am talking about local alarms of any kind.

A. Oh, there is—once in a great while you see a local bell alarm that A.D.T. has installed, but very rare. If you see it it is sort of an oddity. When we do see it we say to ourselves: Well, there is a pigeon, because they didn't know about the other local alarms and the competition.

Mr. Fritz: Do you mean the subscriber was a pigeon?

The Witness: That is right. We call him a pigeon.

Mr. Story:

Q. Do you know whether or not A.D.T. advertises local burglar alarm installations out here?

A. I don't know whether they do or not. Your telephone book will tell you. That is the main method of advertising.

Q. Now let's take other central station protection companies here in Los Angeles. Do you know whether the Morse Signal Devices is engaged in the local alarm business?

A. Yes. That is the majority of his business.

Q. What about Protection Engineering Corporation?

A. No. The only local alarm work they have ever done, as far as I know, has been a few local fire alarms, like the rest homes and that sort of thing, where they have installed a few of these.

Q. What about the other central station companies here in Los Angeles, do you know?

[fols. 7227-7228] A. They all have runners for local alarms.

Q. Has the American District Telegraph Company ever referred any local alarm subscribers to your company?

A. Yes, yes.

Q. Do they still do it?

A. Once in a while, yes. The other companies have also.

Q. How often would you say in a year?

A. Not often. Once every couple of months or so.

Q. What types of alarms would these be?

A. Oh, it would be just a small business, where they are out of their immediate area for service, and they felt that we probably could handle it a little better; they didn't want to travel that far to make the service.

Q. Has Protection Engineering Corporation referred any local business to you?

A. Yes.

Q. Has Morse referred any?

A. No.

Q. Mr. Wilson, you indicated that you could recall three accounts which you obtained which previously had central station service with the American District Telegraph Company?

A. Yes.

Q. During what period of time did you obtain those subscribers?

[fol. 7729] A. Oh, it was over quite a long period, probably ten, twelve years.

Q. Do you know why these companies changed to your service?

A. I think in each instance the customer told us that A.D.T.'s contract had expired and they wanted to write a new contract at twice the monthly service.

Q. Now, one of these companies was the Wyeth Laboratories?

A. That is right.

Q. Did you convert that account into a local alarm account?

A. We converted it into a central office, into an answering service.

Q. Where did you tie that into?

A. An answering service out south, south side of town. And then later we put it into Protection Engineering.

Q. And that is where it is now?

A. That is where it is now.

Q. Now, you say the other two accounts that you obtained from A.D.T. were garment manufacturers?

A. Down along here on Los Angeles Street. I don't believe we have them any more because they have gone out of business.

Q. When did that take place, sir?

[fol. 7230] A. Four or five, six, seven, eight years ago. I don't recall how long.

Q. What type of an alarm did you establish in the premises of these garment manufacturers?

A. Moved them into answering service, our answering service here at 704 South Spring.

Q. Now, that is three accounts that you have obtained from A.D.T. which formerly had central station protection service?

A. That is correct.

Q. Can you recall back over the last 20 years obtaining any other central station protection accounts from A.D.T.?

A. Not where we converted them to central office. A few cases we have taken some A.D.T. accounts which were converted to bell alarms.

Mr. Fritz: Do you mean a local?

The Witness: Yes, local bell alarms.

Mr. Story:

Q. How many instances of that can you recall in the last five years?

A. Oh, probably a couple or three.

Q. During the last five years have any of your local bell alarm accounts left your company and taken central station protection with any other company?

A. Oh, yes.

Q. Can you give us any idea of approximately how many [fol. 7231] a year?

A. I would say one or two a year possibly.

Q. That go from local alarm to central station?

A. Maybe more. I would say probably two or three at the most.

Q. What companies get those accounts?

Mr. Fritz: I object to the form of the question. What companies did get those accounts; is that what you mean?

Mr. Story: Yes.

The Witness: Well, Morse has gotten one or two. A.D.T. has gotten a few. I don't recall that Protection Engineering or A.F.D. has taken any of them.

Mr. Story:

Q. When did you lose those customers, sir, if you know?

A. Well, over the last four, five years.

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[fol. 7232] Q. You mentioned this local alarm association that you have here in the Los Angeles area?

A. Well, it is an alarm association that comprises both local and central.

Q. Is A.D.T. a member?

A. No.

Q. What central stations do you have that do belong to this association?

A. Morse, Protection Engineering, Pacific, and I think that is it. It is either Pacific or Standard. I always get confused as to which is which. There is a list of them in there, isn't there, of association members, in the telephone book?

Mr. Fritz: In here?

The Witness: Yes.

Mr. Fritz: I don't know. I will show it to you. Maybe you will be able to find it. I don't know whether I have got the section that would have that.

The Witness: Morse, U. S., West Coast, and Pacific.

Mr. Fritz: May I have that marked for identification.

Mr. Story: Yes, sir.

Mr. Fritz: This is the section of the classified telephone directory, including "Burglar and Fire," which you have just looked at, correct?

The Witness: Right.

Mr. Fritz: Of the current issue?

[fol. 7233] The Witness: I think it is the current issue, yes.

Mr. Fritz: I ask that be marked.

(The document referred to was marked by the notary public as Defendants' Exhibit 2 for identification and is attached hereto.)

Mr. Story:

Q. Mr. Wilson, have any of your local burglar alarm subscribers' premises been burglarized within the last year?

A. Oh, yes.

Q. After a burglary in any one of such premises have these subscribers changed the type of protection service?

A. Yes, yes.

Q. What changes did they make?

A. Well, they might go to central office, they might—and probably maybe install some ceiling wiring or some wall wiring or some ultrasonic equipment or some of the mat equipment that give a signal when somebody walks on it.

Q. In other words, they attempt to improve their service, is that correct?

A. I object to the form of the question.

Mr. Story: Strike the question.

Q. Why do they take those steps that you just mentioned, sir?

A. Normally it is because the insurance companies tell [fols. 7234-7235] them they have to, their insurance carrier.

Q. Do you know whether or not any insurance carrier has ever told one of your local alarm subscribers that he had to have central station protection service?

A. Yes.

Mr. Fritz: I object to the form of the question.

Mr. Story:

Q. How often has that happened, sir?

A. Well, that happens generally where you have a target risk, and they have a burglary, or a man is starting in business in merchandise that comes under the target risk list, and he is applying for insurance.

Q. And then what does the insurance company do, if anything?

Mr. Fritz: I object to the form of the question.

Mr. Story:

Q. You may answer, sir.

A. The insurance companies open the book and give the list of the companies who are approved and say, "Here are the names of the companies that are approved."

Q. Approved for what type of service, sir?

A. I presume, approved for central office, because there are two lists.

Q. You have lost some of your local alarm accounts because of this——

A. A few times, yes, over the years every so often you lose one.

* * * * * * *

[fol. 7236] Redirect examination.

By Mr. Fritz:

* * * * * * *

[fol. 7237] Q. Now, I think you said that in a central station service on a direct wire there are closing signals received?

A. That is right.

Q. What is the distinction that you are making there between a direct wire and what, a circuit?

A. There are two types of central office, two types of central office service. One is where they put these account—they send a wire out and they bring in maybe 20 or 30 accounts, and they tap onto this same wire here. Now, any one of those accounts have a transmitter that will send in a signal and it will appear on a piece of, oh, about half-inch tape.

Q. Yes.

A. It is printed as to whatever this transmitter sends out.

Q. In other words, there are a number of subscribers——

A. On one local circuit, yes.

Q. —line as distinguished from a direct line between the central station and a subscriber?

A. Well, a direct line would be where the customer is here and the central station is here, and they are using that one line only for that purpose.

[fol. 7238] Q. What is the difference in the usage between this multiple subscriber use of a line and a direct line for one subscriber?

A. Considerable less cost.

Q. Servicewise what is the effect?

A. No difference in the service.

Q. Now, if there is a——

A. Do you mean a—let me understand what you mean by "service." Do you mean protection?

Q. Well, protection, or in any phase of the protection.

A. Well, from the company's standpoint they have to provide as much service on the tour system or the multiple system as they do on the other, on each individual circuit, but as far as protection goes the tour system is not as good as the direct wire and it is not recognized as so. I mean, a certified direct wire. It is not recognized as being as good by the insurance companies, and creditwise.

Q. Who uses the multiple type of circuit?

A. Most all of the central offices over the United Stats. I have been in many of them.

Q. Do you know what is meant by the reference to open-line trouble on a telephone line?

A. Oh, yes.

Q. What kind of trouble is that?

[fol. 7239] A. An open line would be where there is a break in the line.

Q. Does that happen sometimes?

A. Yes.

Q. When that does happen, and you have a multiple circuit, is the central station able to know which subscriber's premises is in trouble?

A. It depends on how much of the line is open. You have two lines. If one of them is open they would still be able to operate.

Q. If both of them are open——

A. That whole set of customers on that line would be out.

Q. And they would be out until the telephone company discovered where the break was and repaired it, is that right?

A. That is right.

Q. And usually does that involve a period of time?

A. Generally a short amount of time, because the telephone people have equipment where they can attach it to this line, and tell you within three inches where the break is.

Q. During the interval of time that the break exists I take it there is no protection, is that right?

A. That is right. Only the token protection of the wiring being visible.

[fols. 7240-7241] Q. That is, you are talking now about the wiring on the subscriber's premises?

A. That is right.

Q. Is it a practice of all of these companies that provide service of this kind to have some kind of a sign on their subscriber's door as indicating the protection exists?

A. Yes.

• • • • • • •

[fols. 7242-7244] Q. What is the frequency of the burglarizing of premises that are protected by your local service?

A. Well, I believe we have been pretty fortunate over the years. We have probably had—I think I can safely say maybe 100 burglaries.

Q. Since 1917?

A. Yes.

• • • • • • •

[fol. 7245] Q. Now, with respect to those types of stores that you characterized as target risks, do you have any local burglar alarm service in any of those?

[fol. 7246] A. Hundreds of them.

Q. That is, jewelry, liquor, tire stores, and similar installations?

A. That is right. We generally are able to hold them until they have a big burglary, and then they go to the central office.

Q. Is that a frequent or an unusual occurrence?

A. Well, in this area it is rather frequent because we have—we are pretty highly—pretty high in the burglary rates here.

Q. What would be the numbers, would you say, approximately, of those happenings on a yearly basis?

A. Do you mean——

Q. Where there has been a burglary and change to central station service.

A. Well, they knock out a window and they grab something, or they tear into a wall, and we either get a signal or—before we can get there they are gone, and they decide they had better go to the central office, or a central office immediately checks on them to see if they can sell it.

Q. What would be the number of such cases that have actually happened to you over the years?

A. I wouldn't know. We have very few burglaries, but

whenever we do, particularly a liquor store or jewelry store, something, fur store, why, immediately we have got to get [fols. 7247-7249] in there and satisfy them of a better service or more wiring, or something.

Q. But in the last, roughly, 44 years, I think you told me before, you had had about a hundred such instances?

A. About a hundred or so burglaries, yes.

Q. A little better than two a year?

A. Yes. I would say two or three a year is about our average.

• • • • • • •

[fol. 7250] Q. You have operated your entire protective service business since 1917 without approval from anybody or jurisdiction of any kind, have you not?

A. Yes, that is right.

Q. Thank you very much.

A. I believe I answered that incorrectly. We did have approval from Lloyds' of London for quite a considerable time.

Q. For the purpose of writing excess insurance?

A. For the purpose of selling alarms and carrying—giving the customers a certain amount of insurance coverage along with it at a reduced rate.

Q. When was that?

A. Oh, it was over a period of about eight or ten years. [fols. 7251-7254] We didn't find the customer asking for the insurance too often. We could sell him the job as long as we had it, but then he didn't want the insurance. He didn't want to pay the extra money.

Q. You have been selling protection service on the basis of quality and protection, haven't you?

A. To the best of our advantage, yes.

Q. But that has been the basis of your success in your business, isn't that right?

A. I believe so.

• • • • • • •

[fol. 7255] DEFENDANTS' EXHIBIT 1 TO EXHIBIT W16a

Original Contract No. —

INSTALLATION, RENTAL AND MAINTENANCE CONTRACT

Central Burglar Alarm Service

1114 West Second Street, Los Angeles

This Agreement, made this ——— day of ——— ——, 19—, by and between Central Burglar Alarm Service, First Party and ——— Second Party:

Witnesseth:

That First Party hereby lets and hires to Second Party, and Second Party hereby rents and hires from First Party, for a period of ——— years, from and after ———, 19 —, the following described property, to wit:

One "Burglar Alarm System" and attachments consisting of —— sound cabinets —— gongs —— locks —— magnetic contacts —— electric eyes —— fire links and all wire, foil and materials used in connection with said burglar alarm system and attachments and to be installed at ———

Second Party agrees to pay to First Pary, its agents or assigns at First Party's regular place of business, for the labor of installation of said burglar alarm system and equipment the sum of $ ——— payable upon completion of installation, and agrees to pay for rental and maintenance of said burglar alarm system the sum of $ ——— per month payable on the first day of each and every calendar month in advance following the date of this contract and the sum of two dollars per year or part thereof for City and County Taxes, Licenses and/or Permits. All of the above charges subject to existing or future Federal, State or Local Taxes, Licenses and/or Permits.

Second Party agrees to carefully and properly set said "Burglar Alarm System" every night and to carefully test it daily during the term of this agreement and to notify First

Party immediately in writing in the event any defect in the operation of the system develops.

First Party agrees to maintain and to repair said system with reasonable diligence and subject to any delay occasioned by strikes, riots, war, acts of God or inability to obtain materials in the open market, upon due notice at First Party's regular place of business, confirmed in writing but shall not be liable for any loss occasioned by failure of operation of said system, from whatever cause.

It is agreed by and between the parties hereto that First Party is not an insurer, and that this agreement in no way binds the First Party as an insurer of the premises or of the property of Second Party, and that all charges and fees provided for herein, are in the nature of installation and maintenance fees only and in the case of loss or damage to the Second Party resulting by reason of failure of the performance of such services, or the failure of the system to operate, First Party's liability, if any, shall be limited to the sum of five dollars, which is hereby agreed upon as complete and liquidated damages, and not as a penalty.

Second Party agrees that he will not damage, encumber or dispose of said property or permit said property to be damaged, encumbered or taken from the premises above described, nor to be tampered with or repaired by any but authorized agents of First Party, and further agrees to indemnify First Party for any damage resulting to said equipment and/or parts or attachments by reason of fire, or any cause, whether or not occasioned by the act or neglect of Second Party, and for alterations and for repairs necessitated thereby or for any reason, ordinary wear and tear excepted.

It Is Expressly Agreed that First Party retains title to all of said property above described, wherever located, and Second Party has no right, title or interest therein or thereto, and Second Party hereby agrees that the installation of said system does not create a fixture to the Second Party's premises and in the event the Second Party is not the owner of the premises, Second Party hereby warrants to the First Party that Second Party has secured consent of the owner for the installation and the removal of said system.

It Is Agreed that upon default by Second Party in any of

the provisions hereof, the rental for the entire unexpired term hereof shall at the option of First Party becomes immediately due and payable as stipulated damages hereunder, and First Party shall have the right to take immediate possession of said property and the whole thereof and to remove the same from said premises or wherever the same may be located and is hereby given the authority to enter said premises at any time for said purpose. In any event, removal of said property by First Party shall not be nor be considered to constitute a waiver of its rights hereunder to damages in accordance with the terms of this agreement. First Party shall not be liable for any damage caused to any part of premises by installation or removal of said property. All delinquent payments shall bear interest at the rate of 10% per annum.

Second Party further agrees to pay to First Party such reasonable costs, and expenses not exceeding the sum of 25% of the amount due on the balance of this contract incurred by First Party, His heirs or assigns, in collecting or attempting to collect any balance due hereunder, and such additional sum as and for attorney fees as the court may judge reasonable in any action to enforce any of the provisions of this contract. Second Party hereby waives the benefit of the statute of limitations.

It Is Agreed that unless terminated by written notice by registered mail, given by one of the parties hereto at least 3 months prior to the termination of this contract or any extended term hereof, this contract shall continue in full force and effect as to all of the terms and conditions thereof for an additional period of one year.

Second Party agrees to indemnify and save harmless First Party from all claims for damages, together with costs and counsel fees, incurred by reason of any damage to person or property caused by said burglar alarm system or attachments during the continuance of this agreement.

Defects or omissions in construction of said system must be called to the attention of the First Party within two days of completion of the installation by notice in writing, upon the expiration of such period, the said installation shall be construed as accepted by the Second Party, any provisions of this contract to the contrary notwithstanding. In the event the Second Party moves, sells or quits business, the rental for the entire balance of the term hereof, shall at the

option of the First Party become immediately due and payable.

Time is of the essence of this contract, and the waiver of one breach shall not constitute a waiver of any prior or subsequent breach.

It is specifically agreed that no statements or representations of any kind or character have been made other than contained herein and this agreement constitutes the entire agreement between the parties hereto.

This Agreement shall bind and inure to the benefit of the heirs, executors and assigns of the parties hereto.

In Witness Whereof, the parties have hereunto set their hands and seals this ——— day of ———————, 19—.

Emergency	Central Burglar Alarm Service
1. ———————	By ———————
———————	First Party
———————	———————
2. ———————	By ———————
———————	Second Party
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Witness:

———————

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Alhambra Office.....2028 S. PRIMROSE ST.
AT 7-2511

ALARMCO PROTECTIVE DEVICES

ELECTRONIC BARRIERS

"If You Can Afford a Bell Alarm—
You Can Afford Our Service"

5034

[fol. 7257a]

BURGLAR ALARMS

INDUSTRIAL - COMMERCIAL - RESIDENTIAL

RENTALS OR SALES

BURGLARY - FIRE ALARM

HOLD-UP PROTECTION

Auto - Auto & Truck Alarms

FREE ESTIMATES

CALL

AD	ST	FA
1-9204	5-0401	0-3161

WEST COAST BURGLAR ALARM SYSTEM

4203 SO. HOOVER

COAST BURGLAR ALARM CO.

Approved by Underwriters' Laboratories
Approved by Leading Insurance Companies

Silent Direct Wire Local Bell Alarms
Ultrasonic Alarms Electric Eyes

COMMERCIAL - RESIDENTIAL - AUTOMOBILE
With Insurance Discount

Radio Dispatched Cars for Faster 24-Hour Service

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SERVING ENTIRE L. A. AREA
UNDERWRITERS APPROVED GRADE "A"
CENTRAL OFFICE & BELL TYPE

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- Radar Eye & Ultrasonic Systems
- Silent Central Office Systems Which Automatically Bring Police & Our Guards
- Electric Eye Systems
- Bell Alarm Systems
- Watchman Tour & Call-Up Systems
- Sprinkler Supervisory & Water Flow Alarms (Approved by All Fire Rating Bureaus)

U.L. Certificate Issued for Purposes of Insurance Premium Reduction

RADIO-EQUIPPED SERVICE CARS

• MORSE SIGNAL DEVICES

WE 3-5924

MORSE SIGNAL DEVICES

211 S. LA BREA - L.A. 36

NEW ELECTRONIC DEVELOPMENT

ELECTRO-LARM

Calls Police Dept. Direct

Employs Tape Recording to Announce Burglary Code Number, Location and Fire Name. Converts any System into FAST ACTING Silent Alarm. Complete New Installations Arranged. Ideally Suited for Stores - Industry - Homes.

OR 4-4955

SIGNALARM CO.

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SECURITY ALARM CO Central Burglar Alarm Service

Serving L. A. County 36 Years

BELL OR SILENT - REASONABLE RATES

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Telemonic Security Systems

8700 Sunset ..... OR 9-4741

Telemonic Security Systems

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SERVING SOUTHWEST LA COUNTY

UFI

ELECTRONICS

BURGLAR, HOLDUP & FIRE ALARMS

Bell & Silent - Home, Office & Industry

2-Way Radio Cars - Immediate Police Response

LOW COST RATES

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U S Burglar Alarm Co 1315 W Pico ..... RE 8-4300

(Please See Advertisement Page 3780)

U S REGULAR ALARM CO 1315 W Pico RE 8-4300

VALLEY WEST ALARM Co

13536 Ramona Vlh ST 4-3644

WEST COAST BURGLAR ALARM SYSTEM

4203 S Hoover ..... RI 1-9204

(Please See Advertisement This Page)

Here are the Golden Rules for good party-line neighbors:

- If you are using a dial telephone, listen for the steady hummming sound of the dial tone before you dial.
- Space your calls instead of making a series of them without interruption.
- When you finish talking, replace the receiver properly.

Burial Service

Funeral Directors

Burlap

A-1 BAG CO 1617 E 1st

ALEXANDER HOUSE INC

White Horse of Colors

305 E 8th

American Burlap & Bag Supply Co

We Buy Burlap & Bags of All Kinds

461 Dacotah

BARNES BAG CO

See Our Ad under Bags-Burlap & Cotton

Buyers & Sellers of Bags Burlap & Cotton

356 E Jefferson

BROWN BAG CO

Bags-Burlap & Cotton

950 E 7th Old Bay Wh

BURLAP INDUSTRIES INC

See Our Ad Under Burlap & Cotton

803 E Macy

General Bag & Supply Co 1351 E Gene

Cross Bag Co

See Our Ad under Bags-Burlap & Cotton

345 S Mateo Rd

FIRESTONE BAG COMPANY INC

1845 E 52nd St

FULTON CONTAINER CO

801 E 62nd St

H SUGARMAN & COMPANY

800 E 16th

SANTA FE BAG & BAGGING

BURLAP

NEW & USED

Sold by the Yard or Bale

Colored Burlap - All Colors

COMPLETE LINE OF BAGS

Burlap - Paper - Cotton Sacks - Wire Ties

FREE PICK-UP & DELIVERY

We Buy Scrap Burlap

2960 Mateo ..... RI

(Continued on Next Page)

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MED AUTOMATIC ELECTRONIC ALARMS

SECURITY SERVICES

• ALARM SYSTEMS • GUARDS • PATROL •

— CENTRALLY LOCATED FOR YOU —

1151 WALL ST. - LOS ANGELES

Burglar Alarms

BELL OR DIRECT WIRE

U/L Approved Systems for Insurance Discounts

AUTOMATIC ALARMS LTD.

Division of

MERCHANTS FIRE DISPATCH

(Incorporated 1904)

MONARCH

BURGLAR ALARM COMPANY

BURGLAR - HOLDUP - FIRE ALARMS

CENTRAL STATION & BELL SYSTEMS

at

REASONABLE RATES

24-Hour Service - Special Discounts

FREE ESTIMATES

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DU 3-6153

2949 BEVERLY BLVD. L.A.

SERVICE plus Quali

Good telephone ... gives good servic... System service is ... Western Electric qua...

The Pacific Teleph... and Telegraph Comp...

Financing—Fire

(Cont'd)

Finance Corp
604 E Main Alhambra...CU 3-2139
Finance Corp 3184 S Figue...RI 6-6899
Finance Corp
1254 W Manchest...PL 3-1717

ACCEPTANCE
Accounts Receivable
Financing
Industrial and Inst. Power
Financing
Refinancing
Established 1952
Resources 100 Million

SFC

"FOR INFORMATION CALL"

MEDICAL CORPORATION
3354 Wilshr...DU 5-9251
Thos H 3354 Wilshr...DU 5-9251
Kenneth W 3354 Wilshr...DU 5-9251

Industrial Corporation 3354 Wilshr...DU 5-9251
Burbank Blvd...TR 7-6740

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Members: Associations - Underwriting
Members: PACIFIC STOCK EXCHANGE
PACIFIC COAST STOCK EXCHANGE
645...MAdison 4-5661

FINANCE COMPANY
Offices 610 W 7th...MA 9-5551
Main Office Branch 610 W 7th...MA 9-5551
Branch Office 610 W 7th...MA 9-5551
Branch
Branch...MA 5-1431
Branch...PL 3-1344
Branch...MA 9-5551
370890 W Sta Barbara...AX 5-8264
Branch...AX 5-8265
A 970 S Atlantic W...NO 3-4114
Main Office 4-Unive...MA 9-5551
Park 7111 Pacific Heights...LO 3-6741
Finance Branch
947 S Figue...RA 5-7851

Finance Co
Office 220 W Main...CU 3-8795
Office 101 E Comr Anaheim...714 KI 5-3816

Finance Co
Office 2006 S Bellflower Bl Bellf...TO 6-0251

Finance Co
Co Wa Visit DowntPark...714 TA 8-7780
Co 6642 Lovel Cspn Sh...PO 6-2604
Co 81 Sn Fredo Brh...MA 9-5551
Co Park 21615 Stanford Ivy Cpk...BE 8-5640
Co 1365 E Compton Blvd...CO 6-2830

Finance Co
Co 2300 Harbr Cost Mesa...714 KI 5-1171
Co 360 S Citrus Cov...ED 6-7351
Co (City 30724 W Wilshire Bl CC...DU 9-1020
Co 9407 E Firestone Dow...TO 8-1111
Co 483 W Valley Blvd...CU 3-0253

Finance Co
Co W Commonwlth Fullerton...714 LA 5-3587

Finance Co
Co 20991 Brookhurst Gd...714 LE 9-9516
Co 19836 Colombo Blvd...TA 1-5731
Co 180 E Bdwy Glendale...CH 5-2334

Finance Co
Co 2301714 Chatsworth Blvd...EM 3-0141
Co 300 N Broadway Hem...GR 8-4001
Co 210 S La Brea Ing...OX 1-4330
Co 13304 Hawthorne Lndrvale...LA Jr 1150

Finance Co
Co 1263 Long Bch Bl LB...HE 6-4241
Co 1 Sutter Long Beach...HE 6-4241
Co 11370 Long Beach Bl Lyn...HE 6-2909
Co 111 W Foothl Mon...EL 9-4567

Finance Co
Co 2001 E Lederdon Blv...TR 7-4563
Co 496 S Main Orange...714 KE 8-9611
Co 13900 Van Nuys Pac...EM 9-1145
Co 647 E Colorado Pas...MU 1-0481
Co 340 S Sunny Pasadena...RA 9-5001
Co 3858 Bell Ave Bellflower...TO 8-8074
Co 7000 Beach Rvde...DE 3-4646

Finance Co
1329 Sn Pedro Rd SFer...EM 1-8472
Co 1010 S Pacific SnPed...TE 2-0562

Finance Co
2002 S Main SantaAna...714 KI 5-8491
Co 10866 Lindley Nrdg...UP 9-4041
Co 3120 Torrance Tor...FA 8-0040
Co 8566 Vn Nuys Vlly...EM 9-1145
Co 1900 Lincln Venice...EX 4-5183
Co 1226 E Gorey WCov...ED 9-6201
Co 8751 La Tijera...UP 8-1000
Co 10 S Commercial SnGbrl...SA 3-4065
Assistant Corp

Finance Co
1123 Wilshr...Wilshr 3-5960

FACTORS CORP
3300 Sta Monica...OLdfld 4-0130
Corp
202 S La Cienega Bl...OLeandr 5-7704

TRUST DATA BANK
Service for Bonds Classification
Bonds...MA 9-0211
Bldg 1614 W 35th...Plant 1-8188

ing is as simple as A-B-C if
the Yellow Pages.

Shamrock Finance Co 3330 S Figue...Midland 8-6161
Sherborne Investment Inc 3870 Crenshaw...AX 5-4200

SIERRA NATIONAL CO
WORKING CAPITAL AVAILABLE
AT LOW RATES
Mfrs. - Wholesalers - Service Industries
Accounts Receivable & Inventory Financing
FACTORING
8716 Santa Monica Bl...OL 5-6165
Or...OL 7-2250

Silbert Thos H
Standard Factors Corporation
3354 Wilshr...DU 5-9251
Simon B H 930 Midwest...MA 5-4186
Soda Lake Soc Credit Association
Company 3333 Twenty Sth...LO 6-4967
Southwestern Funding Corp
801 E Artesia Longbeach...GArfld 2-1201
Southwestern Funding Corp
801 E Artesia Longbeach...Hillcrs 6-7135
Standard Capital 660 N Berendo...Hillcrs 3-1151
STANDARD FACTORS

Accounts Receivable
Financing
Factoring
Established 1922
Resources 100 Million

"FOR INFORMATION CALL"
Silbert Thos H 3354 Wilshr...DU 5-9251
STANDARD FACTORS CORPORATION
3354 Wilshr...DU 5-9251
Welch Kenneth W 3354 Wilshr...DU 5-9251

Summit Finance Co 2975 Wilshr...DU 5-8314
SUNSET-VINE LOAN CO
6301 W Sunset...Hillcrst 4-5225
Superior Finance Co 7401 Melrose Av...OL 1-4548
Superior Finance Co Inc 6055 W Sunset...HO 4-4367
TALCOTT J&R WESTERN INC
Factors 510 S Spring...MA 4-7401
Time Sales 510 S Spring...MA 8-4251
TALCOTT J&R WESTERN INC
117 W 9th...MA 7-0551
Tandrin Wm 2604 W 6th...Dunkrk 8-7988
TRANS-WEST FACTORS INC
170 N Riverton Bl...OL 5-9905
Trenton Investment Co
117 N Riverton...RAndow 2-5519
TRUST DISCOUNT CO
See Trust Finance Co
6320 Atlantic Av Bell...LD 7-5230
TRUST FINANCE CO
6320 Atlantic Av Bell...LIndn 7-5230
206 E Bdwy LB...HE 7-3926
Union Factors Company 315 W 9th...MAdis 3-5126
U S Finance Co 2007 W Olymp...Dunkrk 8-7616
UNITED STATES BATL BANK
For Brochure See Bonds Classification
Pasadena
Pasadena-Main Office
135 E Colorado Pas...SU 1-7981
Universal Budget Plan 206 S Bdwy...MAdis 4-7777
Universal C I T Credit Corporation
Huntington Park Branch
2571 Seton Hwy...LO 3-4656
Universal Branch
610 E Manchester Ing...OR 8-4201
Belmont Park Branch 3858 Cranbr...AX 2-0346
Long Beach Branch
4087 Long Bch Bl LB...GA 6-4436
Van Nuys Branch 5777 Vn Nuys Vlly...TR 3-2440
UNIVERSAL FINANCE CORPORATION
ESTABLISHED 1919
SPECIALIZING
IN MOBILE HOME
TRAILER FINANCING
AND
INSURANCE
3450 Wilshire Bl...DUnkrk 1-3911
Universal Finance Corporation
3450 Wilshr...DUnkrk 1-3911
VINE-SUNSET LOAN CO
LOANS From 70 to 90,000
On Auto - Furniture - Equipment
AS LONG AS 24 MONTHS TO PAY
6301 W Sunset...Hillcrst 4-0135
Vineland Investment Co
10800 Burbank Blv...TR 7-4878
Wagner Finance Corp 4611 W Slawson...AX 5-4460
Wagner Motorcycle Finance Corp
4611 W Slawson...AX 5-4469

Check the Green Index First.

WASHINGTON DISCOUNT CORP
1242 S La Cienega...OL 5-7746
WASHINGTON THRIFT & LOAN
906 S Bdwy...MA 6-9251
Welch Kenneth W
Standard Factors Corporation
3354 Wilshr...DU 5-9251
WESTERN ACCEPTANCE CO
WE BUY
CONTRACTS & NOTES
CURRENT OR DELINQUENT
On Auto - Furniture - Equipment
CALL US ON TURN-DOWNS
838 S La Brea...WE 3-4326
Western Church Finance Corp
3940 Complex Lomitd...SP 2-2534
WESTERN PIONEER FINANCE CO
On Auto - Furniture - Equipment
AS LONG AS 24 MONTHS TO PAY
ALSO OUT OF STATE CARS CLEARED
3421 W 8th...DU 9-1375
Western Thrift & Loan 634 S Western...DU 5-3461
Westinghouse Credit Corp
L A Ofc 740 S Western...DU 5-3431
Regional Ofc 4601 S Boyle Var...LO 1-5281
William Penn Finance Co
3404 Pinedale Sch...LBrdn 9-8139
Wilshire Acceptance Corp
2416 Brooklyn...AN 3-8231
World Of Co 800 N Western...HO 2-3441
Y E S Co 710 S Western...DU 5-3441
Y M A C 3100 W 8th...Dunkrk 8-3407
Zenden I Wm 1240 S La Cienega...OLeandr 5-7980

Financing Consultants

AMERICAN COMMONWEALTH CO LTD
7046 Hollywd...HO 7-0673
Arzen John E Co
See Our Ad under Business Consultants
650 S Grand...MA 6-4764
Partners Enterprises 5225 Wilshr...WE 8-7281
BRANDELL & CO
Consultants to Management on Stockholder
Relations-Proxy Solicitation
600 S Spring...MAdn 2-8731
MANAGEMENT J B & CO
Municipal Financial Consultants
140 S Beverly Dr Beverlyhills...BRadshw 2-3119
Kingdon Patrick F & Associates
Stock Holder Relations-Broker Contacts
721 N La Brea...WE 8-2478
Martin Wm V 727 S Spring...MA 6-5548
McClanahan W Rob & Associates
6715 Hollywd...HO 7-7775
Parsons & Williams 433 S Kenmor...DU 5-5287
Personal Bookkeeping Serv
10136 Calif Sch...LO 6-2546
Phelps Co 6363 Wilshr...OL 5-1879
Phelps Geo E Co 6363 Wilshr...OL 5-1879
Planning Associates Inc 9784 Wilshr Bl...BR 2-4054
PUTNEY RICHARD D & CO
Financial Counsel
3351 Wilshr...DU 5-8221
Robinson Louis L Aga S Figue...MA 6-3141
Shaw & Associates Inc 6331 Hollywd...HO 4-5141
Simons Saxon Inc 819 Santee...MA 7-7171
Sonnenfeldt Richard 7000 W 4th...OL 3-0642
STERLING & COMPANY
See Our Ad under Business Consultants
9460 Wilshr Bl...BR 2-8707
Sullivan M F & Co 734 Meadow Grve Pas...RY 1-3617
Technology Capital Inc 9300 Wilshr Bl...BR 2-4336
Western Pac Investment Co Inc
7100 S Westrn...PL 3-7546
Yates Herman 9025 Wilshr Bl...TR 8-6873

Fingerprinting

Walworth Security Srv Ltd
8220 S Vermont...PL 8-1317

You'll get quicker dial service if you follow these simple steps:

1. Listen for the dial tone. It's your signal that the equipment is ready to take your call.
2. Dial each letter and digit of the number in the right order.
3. Draw the dial all the way to the finger stop.
4. Lift your finger and let the dial return naturally, without forcing.

Fire Alarm Systems

A G E FIRE ALARMS—
CENTRAL SALES CO
Pyrotr Electric Signal Co Equipment
Acme-Fire-Lite Alarms
Also Other Approved Equipment
Engineering Consultation & Service
5114 W 2nd...MA 8-1313

ADT PROTECTIVE SERVICE

Underwriters' Approved.
Central Station Fire Alarms
of All Types; Burglar Supervisory Service; Watchmen
Alarms. Complete Supervision, Maintenance, Inspection.

ADT

A Nationwide Organization

"FOR INFORMATION CALL"
American Dist Telegraph Co
3336 Wilshr...Hillcrst 3-7181

A F D PROTECTION SERVICE
Approved Central Station
Automatic & Manual Fire
Alarms, Water Flow Alarms,
Sprinkler Supervisory Service.
Complete Maintenance
Approved by Pacific
Fire Rating Bureau
for Insurance Discount

"WHERE TO BUY IT"
AMERICAN FIRE DISPATCH INC
6317 S Figue...PL 8-3103

AMERICAN FIRE DISPATCH INC
See Our Ad under Burglar Alarm Systems
6317 S Figue...PL 8-3103

ANGELUS VANGUARD
RESIDENTIAL
FIRE PROTECTION
Automatic Detection & Alarm
SELF-CONTAINED SYSTEMS
Fully Approved by Underwriter Laboratories
FOR APPOINTMENT CALL
CL 5-1702

Angelus Vanguard...CL 5-1702
Atlas Burglar & Holdup Alarm Co
1712 W Pierce...PL 9-5977
Auth Electric Co Inc 429 S Westrn...DU 9-8191
AUTOCALL CO THE
Automatic Signals
4420 W 9th...DUnkrk 8-1343
Central Sales Co
Fire Alarm-Thermostats
1114 W 2nd...MA 8-1313
BERGLUND CO INC 2320 W 6th...DU 8-2661
Fire Sprkler Co
Manufacturers of Home & Light
Commercial Fire Alarm Systems
5912 Vally...EApal 1-1184

FIRE LOCK CORP
UL & State Approved Systems
FACTORY DISTRIBUTORS
For
FIRE LITE ALARMS, INC.
Complete State-Wide Service for
Residential, Commercial
Industrial & Military
SPRINKLER SUPERVISORY
EXIT LOCKS
1147 E Market LB...HE 6-7218
Or call...GA 8-0077

Fire Lock Corp 1147 E Markt LB...HE 6-7218
Gemmell Co The 8479 Calif Sch...LBeach 7-2269
GARDWELL FIRE ALARM SYSTEMS—
GARDWELL CO THE
8479 Calif Sch...LBeach 7-2269

HONEYWELL REGULATOR CO
HONEYWELL FIRE DETECTION
AFA ALA 24 SYSTEMS
For Commercial & Industrial Use
6420 Telegraph Rd...RA 3-6611

(Continued on Next Page.)

Radio on the blink? Get it fixed fast . . . telephone a repairman listed in the Classified Directory. It's your handiest guide to those who sell and serve.

See The GREEN SECTION for INDEX of Classified Headings

Fire Alarm Systems (Cont'd)

LA FRANCE ALARM & EQUIPMENT INC
U.L. & STATE APPROVED
Economical & Quality
Fire Alarm Systems for
Homes - Institutions - Commercial
Schools - Hospitals - Apt. Houses - Etc.
SPRINKLER ALARMS
ELECTRIC DOOR CONTROL
Nurses Call & Inter-Com Systems
FREE ESTIMATES
1147 E Market LB.....NE 8-6494

MASTER J J ELECTRIC CO
5600 Venice..WE 1-1653
Minneapolis-Honeywell Regulator Co
6620 Telegraph Rd. RA 3-6611

MORSE SIGNAL DEVICES
Grade "A" Underwriters
Certificates Issued for
Installations Below
Silent Central Station
Burglar & Fire Alarms
Direct To Our Office
Also Bell Type Alarms
"WHERE TO BUY THEM"
Morse Signal Devices of Calif
211 S La Brea..WEbster 3-9934

Bethlehem Corp 219 W 7th.....MAdison 3-3665
PROTECTION ENGINEERING CORP
6900 S Hoover..PL 3-2301
(Please See Advertisement This Page)

PROTECTOWIRE ALARM SYSTEMS—
PROTECTOWIRE PACIFIC DIV DIVISION
LEON HAMPTON COMPANY
742 S Hill..MAdison 3-3219

Pyrotronics A Div of Baker Industries Inc
5313 Sheila..AN 8-7181
Security Alarm System 6517 S Figue...PL 8-8483

Look for it in the "Classified."

TELE-FIRE OF CALIF INC
AUTOMATIC FIRE DETECTION SYSTEMS
SPRINKLER SUPERVISORY SERVICE
HOTIFIER CORP. SALES & SERVICE
Installation - Service - Maintenance
5736 E Colorado Pas.....MU 1-5475
SY 6-2961

TELETRONIC SECURITY SYSTEMS
WESTINGHOUSE ELECTRIC CORP
600 St Paul..MU 2-9660

UNITED FIRE INTELLIGENCE
See Our Ad Under Burglar Alarm Systems
5004 W 132nd How.....OS 5-9990
United Safety Systems 409 S Bid.....MU 2-5480

WEST COAST BURGLAR ALARM SYSTEM
24-HOUR SERVICE
FREE ESTIMATES
Rentals or Sales for Business & Residence
4283 S Hoover.....AD 1-9264

WHEELOCK SIGNALS INC
304 S Allessio St Wayne..Clinstead 3-1399

Fire Department

For Emergency Calls See Information Pages

Four Thoughtful Items of Telephone Procedure:

1. Please answer promptly.
2. Please be on the line when the party you want answers.
3. Please speak distinctly and with the lips close to the mouthpiece.
4. Please replace the receiver gently when through talking.

Fire Escapes

ATLAS ORNAMENTAL IRON WORKS INC
2525 E 52nd Hope..Lodge 5-2363

BUSSANE IRON WORKS INC
SINCE 1928
FIRE ESCAPES
SERVICE - MAINTENANCE - REPAIRS
STEEL FABRICATION
STEEL STAIRS - LADDERS
SERVING ALL OF CALIFORNIA
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CERTIFIED FIRE PROTECTION CO
REPAIRS & SERVICE
DROP LADDERS CHECKED
CERTIFICATE FURNISHED
3018 E Main.....Richmond 9-1913

DAY & NIGHT WELDING SERV
Fire Escape Design Repair & Installation
24 Hour Service
23112 Mariposa Ter.....DA 5-2323

MISSION MAINTENANCE CO
REPAIRS & SERVICE
Hydraulic & Counter Balance
DROP LADDERS INSPECTED
for Proper Operation
CERTIFICATE FURNISHED
24-HOUR SERVICE
OFFICE 2955 W. 7th
DU 9-5609

Progressive Iron Works Inc
2483 Fletcher Dr..NO 2-5620
(Please See Advertisement This Page)

Fire Exit Devices

Kwikset Div The American Hdwe Corp
516 E Sta Ana Anaheim..714 KE 5-8111

Consult the Index on the Green Pages. It will help you find the proper heading.

Fire Extinguishers

A-Tru-Fog Fireball Co.....
A A A SAFETY FIRE EQUIPMENT CO
Ace Fire Protection Co Inc
Dry Pipe - Wet Pipe
4400 S Alameda St Brk.....
Alpha Fire Equip Co 3610 Cora.....
Alton-W D Mfg Co 1656 S Sta Fe.....

ALLIED FIRE PROTECTION CO
Serving L. A. Area for 30 Yrs.
SALES - SERVICE - RENTAL
FIRE HOSE - FLAMEPROOFING
Free Estimates - Complete Inc
PL 2-0798
After Hr. Emergency 868 PE 4-6...
AUTHORIZED KIDDE DEA...
3819 S Vermont Av.....PL

Allied Fire Protection Co
3819 S Normal Pl.
(Please See Advertisement Page ...)
Amazel Co 1925 W Washington Blvd.....
American Lafrance Div of Sterling...
Corp 2113 S Sa Fede...

AMERICAN LAFRANCE EQUIPMENT
Fire Extinguishers, All Types
Fire Hose, Fire Department
Supplies, Industrial Fire Ap...
AMERICAN, Kerlon Products
Portable Automatic Systems...
Complete Engineering Service...
Against Fire, Exchange Service...
"FOR INFORMATION C...
American LaFrance Div of Sterling...
Corp 2113 S Sa Fede...

ARSUL FIRE EXTINGUISHERS
"CALL THE ARSUL MAN"
A complete line of UL, FM, JIC and CG Approved Units, from PORTABLE (dry chemical, foam, carbon dioxide, water) WHEELED STATIONARY & MOBILE EQUIPMENT. AUTOMATIC SYSTEMS
"WHERE TO GET
ARSUL CHEMICAL CO
6470 Corvette...
DISTRIBUTOR
Allen Fire Equipt Co 330 Cent...
HALPERN SUPPLY CO
1395 S Flow...
STODDARD'S FIRE EXTINGUISHER
REFILLING & SERVICE
1809 S Main..PR 8-3...

Baird S H
General Fire Extinguisher Dealer
3836 E Olympic Blvd..AN...
BAY CITIES FIRE EQUIPT CO
2203 Main St...
Beverly Hills Fire Protection Co
954 Hazeltine Dr...
(Please See Advertisement Page ...)
BUFFALO FIRE APPLIANCE CORP
Co 122 Glendale...
BUFFALO FIRE EXTINGUISHER
WESTERN FIRE PROTECTION INC
611 E 2nd...
C-O-TWO FIRE EQUIPMENT CO OF
5343 Sheila...
(Please See Advertisement Page ...)
CARBONIC CYLINDER GAS CO THE
151 N Ave 19...
CARBOX DIVISION OF CHEMETRON CORPORATION
See Our Ad Fire Protection Equip
151 N Ave 19...
CARGO DRY CHEMICAL
FIRE EXTINGUISHER SERVICE
DRY CHEMICAL
FIRE EXTINGUISHER
SERVICE and REPAIR
STATION - RECHARGE
and MAINTENANCE for DRY CHEMICAL
FIRE EXTINGUISHERS
"WHERE TO GE...
AUTHORIZED
SERVICE CENTE...
STANKELLS SERV INC
2620 E Fir...
(Continued on Next Page)

Buy through the Yello...

FIRE ALARMS
Central Station Service
Approved by Underwriters
for Insurance Savings
GPP
A General Plant Protection Affiliate
Water Flow and Manual Fire Alarms
Sprinkler Supervision
Automatic Fire Detection
Watchman Supervision
Industrial Process Supervision
Burglar Alarm Systems
ENGINEERING - INSTALLATION - SERVICE
DIAL... PL 3-2301
Protection
ENGINEERING
CORP.
6900 S. HOOVER, L.A.

FIRE ESCAPES
REPAIRED
NEW WORK
DROP LADDERS
STEEL STAIRS
& RAILINGS
HOrmady 2-5620
PROGRESSIVE IRON WORKS INC.
2483 FLETCHER DR.
L. A.

"RECEIVER off hook"..
That is the reason many important telephone calls are not received.
Always replace the receiver carefully and keep your friends, relatives and office will be able to reach you.
The Pacific Telephone and Telegraph Company

Firemaster

FIRE FIGHTING EQUIPMENT

DISTRIBUTORS - MANUFACTURERS

SALES & SERVICE

FIRE EXTINGUISHERS
FIRE HOSE - REELS - CARTS
NOZZLES - BRASS FITTINGS
FOAM - FOAM - CO^2 SYSTEMS
Licensed Engineer with 24 Years' Experience

"On the Spot" FIRE EXTINGUISHER SERVICE
by BONDED & LICENSED SERVICE MEN
HYDROSTATIC TESTING
FIRE HOSE TESTING
& REPAIRING

DISTRIBUTORS OF NATIONALLY KNOWN EQUIPMENT

MAdsn 4-8838

WESTERN FIRE PROTECTION Inc.

611 E. 3rd STREET, L. A.

MEMBER NATIONAL FIRE PROTECTION ASSOCIATION

Established 1934

Fire Extinguishers (Cont'd)

CERTIFIED FIRE PROTECTION CO
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[fol. 7261] In United States District Court

Defendants' Exhibit W17a

In the United States District Court for the District of Rhode Island

Civil Action No. 2785

United States of America, Plaintiff,

vs.

Grinnell Corporation, American District Telegraph Company, Holmes Electric Protective Company, and Automatic Fire Alarm Company of Delaware, Defendants.

The deposition of Arthur A. Schwartz, taken before Edward Gans, a notary public in and for the County of Cook and State of Illinois, on Monday, October 1, 1962, commencing at 10:15 o'clock, A.M., at the offices of Messrs. Altheimer, Gray, Naiburg & Lawton, Suite 1825, One North LaSalle Street, Chicago, Illinois, pursuant to notice, at the instance of the Defendants ADT, Holmes Electric Protective Company and Automatic Fire Alarm Company of Delaware, in the above-entitled action pending in the above-named court.

* * * * * * *

[fol. 7262] Arthur A. Schwartz, having been first duly sworn, deposeth and saith as follows:

Direct examination.

By Mr. Conkling:

Q. Will you state your full name for the record?
A. Arthur A. Schwartz.
Q. What is your residence address?
A. 7817 Euclid Avenue, Chicago.
Q. Are you engaged currently in any form of business supplying protective services?

A. Yes.

Q. Are you affiliated with a company that renders such services?

A. Do you want the name?

Q. Please.

A. Certified Burglar Alarm Systems, Inc.

Q. Is that an Illinois corporation?

A. An Illinois corporation.

Q. What is your office in that corporation?

A. President.

Q. Would you name the other officers?

A. Norville Poulson is Treasurer; Charles Poulson is Vice President; and Rosalyn Schwartz is Secretary.

Q. For how long have you been President of this company?

[fol. 7263] A. Since 1954.

Q. Were you affiliated with it prior to that time?

A. Since 1928.

Q. Would you sketch briefly on the record your experience, your general background, the things you have done since 1928 and up to the present by way of the duties you had?

A. Everything from janitor to installing, servicing, sales and now management.

Q. Are the officers whom you have named also directors of the company?

A. Yes. The two of them are. No, all three of them are.

Q. Are there any other directors?

A. No.

Q. Are the officers also the owners of the business?

A. Yes.

Q. Would you tell me what the function of the business is? What do you do?

A. Primarily commercial and industrial burglar alarms, local burglar alarms—that is, with a few exceptions of police station connected alarms and a few central office rented connections from central office companies.

Q. By that, sir, do I understand correctly that you do not in your own business maintain a central station?

[fol. 7264] A. That is right; we do not.

Q. But you do have some accounts which tie in with central stations operated by other companies?

A. Right.

Q. And you say you have some accounts which tie in with police stations?

A. Yes. In suburban areas only.

Q. Not in the City of Chicago?

A. No. It is not allowable in the city.

Q. Do you have any accounts connected directly to any fire station or fire and telegraph system?

A. No. They would all be directed into the police stations.

Q. When was this business first established, sir?

A. In 1921.

Q. By whom?

A. By my brother, G. W. Schwartz, and the Poulson's—the ones I named—father, Frank E. Poulson. It was incorporated in 1929.

Q. Very briefly, sir, in the beginning what was the nature of the work that was done, if you know?

A. You mean at the inception of the business?

Q. Yes.

A. Local alarms, commercial, perhaps a few industrial alarms.

[fol. 7265] Q. Then there has been expansion at some point from then until now into the direct connected field?

A. Yes. That has been in about the last ten years.

Q. Is that generally true also of the connections to the central stations?

A. No. The central office connections, I think, are just about three years old; and they are very limited. We perhaps have thirty-five or forty of them.

Q. Now, sir, would you describe for me generally how each of the services which your company provides works, starting with the local burglar alarms that you mentioned? What is a local burglar alarm and how does it work?

A. Basically it is the same pattern or type of wiring that you find in a central station alarm, with the exception that we operate a gong right on the premises rather than connected in to a central office.

Q. Would you describe for me the manner in which a direct connected alarm system works? What is it?

A. The basic wiring is identical with the exception of a

rented phone line or a leased phone line to the police station board.

Q. From the protected premises?

A. From the protected premises to the police district.

Q. Would you tell me how the systems which are con-
[fol. 7266] nected to a central station work?

A. The wiring is basically the same as the local, with the exception of a transmitting unit that picks up the signal when the alarm goes off and directs it into the central office board.

Q. When the actuating device in a protected premise in a direct connection system trips the signal, what happens?

A. The police respond. They get a signal with an identification number on it, and they radio their cars to make an investigation.

Q. The numbers you refer to are coded numbers of some kind, are they?

A. They are coded numbers corresponding to the location; so they have the references there as to the ownership and the notification on it after they have made the investigation.

Q. When an actuating device in a protected premise where there is connection to a central station is tripped, what happens?

A. I imagine the same coding is followed, or the same identification is followed; and they notify the police.

Q. The signal comes into the central station?

A. Yes.

[fol. 7267] Q. And the central station operator does what?

A. Calls the police department and notifies them of an alarm signal at a specific location, and, in turn, notifies the owner and our company office.

Q. Now, I think you mentioned that with respect to all of these three types of systems, these three types of protective systems, the equipment is generally the same. Is that a fact, that the devices and the lines and whatever is used to make the installation are similar in quality and manufacture?

Mr. Levy: I object to the form of the question. It is leading.

By Mr. Conkling:

Q. Answer the question, please.

A. The wiring is the same. Mechanically a police station unit is identical with our "A" system, with the exception of an extra pair of relay points that is connected to the telephone line and terminates in the police station.

The same thing applies to the central office supervised service. There is just an added pair of points on our relay that actuates the transmitter that does the same thing from the premises through a telephone line to the central office board.

The installations are identical, with the exception of the [fol. 7268] transmitting points.

Mr. Levy: You are now speaking of your company's installations?

The Witness: Yes.

By Mr. Conkling:

Q. Do you use equipment for these installations which are approved by any rating organization?

A. All of our—not all of our instruments, but most of our alarm service instruments are U.L. approved.

Q. That is the Underwriters' Laboratory?

A. Yes.

Q. When you say "all," you mean the systems local, direct connected and those connected to central stations?

A. Well, we get recognition for the local portion only. The addition of the direct connect or the central office supervision does not receive any discount——

Q. You mean the subscriber does not receive any discount?

A. The subscriber does. The underwriting department recognizes the police station connection or the central office connection in their underwriting; but as such they do not specifically allocate an additional credit for it, shall we say.

Q. Nevertheless, is it a fact that the equipment you use [fol. 7269] in your direct connect and central station connected installations are the same as those used in the locals where you do issue certificates.

A. Yes.

Mr. Levy: I object to the form of the question as leading.

By Mr. Conkling:

Q. Would you tell me, sir, what is the primary purpose of a local burglar alarm system?

A. Physically, it is an alarm system to detect an entry into the building and prevent burglary.

Q. And from your subscribers' point of view, what is its purpose, if you know?

A. The assurance that he is less liable to be burglarized. It is something which completes a security system for him.

Q. Is that purpose any different from the purpose served or intended to be served by a direct connected system?

A. Only in that he is assured of a notification in the event of an alarm sounding.

Q. The purpose is to protect against a breaking and entry and the taking away of property?

A. Right.

[fol. 7270] Q. Is that purpose the purpose of your systems which are connected to a central station?

A. I would say that is basically the same in all the categories with just the differential in the type of notification.

Q. On your central station accounts, that is, those which are connected to a central station, does your company have possession of the keys to the premises?

A. No.

Q. In no case?

A. In no case.

Q. Does the central station company?

A. In the particular accounts they service for us, they do not.

Q. Do you have any fire alarm accounts?

A. No.

Q. Do you have any sprinkler supervisory accounts?

A. No.

Q. Connected to a central station, that is?

A. None. We do not specialize, nor do we go in for, either fire alarm or supervisory alarm systems for fire control.

Q. How about industrial process supervision?

A. I would say no, outside of perhaps a temperature rise [fol. 7271] unit in the utility room or something. It is perhaps connected to our local. That would be rare, though. That would be just a few, if any.

Q. Do you do any watchman's tour supervisory service?

A. I have one.

Q. Is that one connected to one of the central station companies?

A. That is connected to a police board.

Q. Since you became president of the company, sir, have you preferred to concentrate or to remain concentrated in the burglary field?

A. Strictly.

Q. Has that been a business decision of yours?

A. Oh, yes. There is a lot of revenue to be derived from the fire alarm business, but we are not equipped, nor are we ready, to try and enter the field. In my opinion, that would necessarily be a central station operation; we are not equipped, not quite ready for it yet.

Q. Has the entry into the fire protective field been considered by your company over the last ten years, shall I say?

A. It is in the talking stages yet.

Q. Has the ADT Company or any other defendant named [fols. 7272-7273] in this lawsuit done anything so far as you know to prevent you from entering that field?

A. No.

Q. Do you have any reason to believe any of the defendants have done anything to prevent your entry into that field?

A. No. And I think I told Mr. Levy yesterday, Saturday, that is, that we are contemplating going into the central office business in Chicago. I see no reason to deter us from it if and when we are ready.

* * * * * * *

[fol. 7274] Q. Did you bring with you today any sample forms of contract which you use in your business?

A. Yes. I have a couple of sets here, if you want them.

Q. May I see them, please?

A. It is just the two copies, the white and yellow. In other words, you have three sets there (tendering documents).

Mr. Conkling: I will hand one set to Mr. Levy.

The Witness: The office will retain the white signed copy, and the customer keeps the yellow copy for his records.

By Mr. Conkling:

Q. I see. The papers are identical except for the color, is that right. Is that the idea?

[fol. 7275] A. That's right.

Q. The white copy is the company's copy, and the yellow copy is the customer's copy.

A. Yes.

Mr. Conkling: We will ask to have these two papers marked as Defendant's Exhibits 1 and 1-A for identification.

(Said documents thereupon were marked Defendant's Exhibits 1 and 1-A for identification.)

By Mr. Conkling:

Q. Now, sir, without my taking the time to look carefully at these, that is, at this form of contract, can you tell me whether there is provision for the retention of title in your company to the equipment which you install on a subscriber's premises?

A. I think you will find that in that top paragraph there (indicating).

Q. I see.

A. Right under the caption there.

Q. Yes: "The entire system and all devices, wiring and connections are to remain your sole property." And this comes in the form of an authorization and direction executed by the customer.

A. Right.

[fol. 7276] Q. So far as you know, based on your thirty-four years of experience in this industry, Mr. Schwartz, is that kind of provision common in the industry?

A. I think it appears in every burglar alarm contract I have ever looked at of competitors, and even contracts that have been prof-erred to us from out of the state.

Q. And this provision has been included in the forms of contract of your company for a good many years?

A. As far back as I can remember, which is quite a long period.

Q. Now, sir, I notice that your form has space in the center portion for directions as to the nature of the in-

stallation; then there are spaces for the insertion of your charges; and then space for a term of years.

Now, can you tell me whether your company over the last ten years has had any standard or preferred term in the work you do?

A. The only standard procedure is to label the type of alarm system which would be whether it be approved or not approved.

Q. I am sorry. I think you misunderstand. I did not ask you the question clearly. What is the standard period for which you contract to render such service, if you have any standard?

[fol. 7277] A. We normally make these out for one-year periods, where the customer has the option of renewing them for like periods or more, with the exception of the customer who would want his contract to correspond to his insurance policy, which is generally written for three years. In a case like that, we write these out for the three-year period. I think, if you explore our records, you will find that isn't too frequent. By the same token, the underwriter's certificate will be made out for a period of three years or one year, according to what the term of their policy is written as.

Q. Are you able to tell me, sir, with reasonable accuracy, how many of your customers, thinking generally of all of them which you have now, have been with you for more than one year?

A. Well, my guess is the average life of a customer is about five or six years.

Q. Can you tell me with reasonable accuracy the number of your customers who exercise the option set forth in this form of contract, Defendants' Exhibit 1, so as to terminate at the end of less than five or six years?

A. Generally, by reason of going out of business. Aside from that, it would be rare for a customer to change services.

[fol. 7278] Q. As a matter of business practice, when you or one of your people make a service contract with the customer, do you consider, based upon your experience, that that contract is probably good for five or six years?

A. Yes. We predicate our installation, the price of our installation, on the type of operation with the projected view of whether the customer is in there on a temporary

basis or if he looks like he is permanently installing himself by investment and such, that he should be able to stay there three years for us.

Q. Do you therefore make your own financial and other business plans based upon such a conclusion?

A. Just with the particular account. I mean I have come across these temporary locations where they are running a sale or just in there for five or six or seven months, and our installation is predicated on that. We will not permanently install screens, say, as against foiling a window if we know it is not going to last that long.

Q. I understand correctly therefore, do I not, that this form, Defendant's Exhibit 1, is the form you use for your direct connected installations and your central station installations, as well as your local?

A. Yes. That is the only form we use in our operation.

[fol. 7279] Q. Do you know, Mr. Schwartz, whether there is any requirement on the part of any board of underwriters or similar organization that equipment on a subscriber's premises be not owned by the subscriber, or, to put it affirmatively, that it be owned by the service company?

A. If I understand the lab's ruling on that, the equipment is leased or owned by the installing company and maintained by them for the period of the certificates.

Q. Now, on those accounts of yours which are connected to a central station, does the customer make an arrangement with you for payment of charges for that service, or does he make an arrangement with the central station company for that?

A. He pays us for all the charges that are ascribed to the central office connection. He does not deal with the central station company at all. We bill them for their services, and we, in turn, pay the central office people for their portion of it.

Q. Can you tell me, please, what your gross revenues have been as to each of the forms of service you render for each of the last five years?

A. When you get the paper and pencil, our gross revenue —I can't give it to you for five years, but for last year it was roughly around three hundred thousand dollars.

[fols. 7280-7282] Q. When you say "last year," you mean the calendar year 1961?

A. 1961. I think it was three hundred thousand or three hundred twenty thousand—something like that.

• • • • • • •

[fol. 7283] Q. In other words, it would appear to be about six thousand dollars a year on the central station accounts, is that right?

A. Correct. That was my error, I think, in breaking them down like that.

Q. And somewhere in the neighborhood of forty-five thousand dollars for the direct connect?

A. I came up with $50,400. Yes. I think that would be more accurate a picture, because you are using the gross figure over there.

Q. All right. Now, do I understand that you are not able at this time to recall with reasonable accuracy similar [fol. 7284] figures for the four years prior to 1961?

A. I would have difficulty in giving you those figures. Let me check this for you. That is why I keep such a good partner as I have. It takes all the weight off me. I have some figures here. Well, it was $312,000.

Q. For 1961?

A. No. That was 1960.

• • • • • • •

So the figures for 1960 were $312,000. Do you want the figures for 1959 and so on?

By Mr. Conkling:

Q. Yes, please.

A. In 1959 it was $247,000.

Q. Check.

A. 1958 was $238,000.

Q. Check.

[fol. 7285] A. 1957 was $215,000.

Q. Check.

A. And 1956 was $202,000.

Q. Check. By any chance, do you have 1955?

A. Yes. 1955 was $220,000. I am wondering where we dropped $18,000.

Q. The figures you have just mentioned——

A. They are dollar volume gross figures.

Q. Dollar volume for the years indicated?

A. Yes.

Q. Do you have the breakdown as to which parts are attributable to direct connect and centration station accounts?

A. No. The only information I have here is that the number of local subscribers at each year are such and such. But I could not tell you what the differential would be.

Q. Is it possible, without an undue burden on you, Mr. Schwartz, for you to check at some point between now and the time you come to sign this deposition? We will leave a space at this point for you to insert the portion of those gross figures just mentioned allocable to direct connected accounts and central station accounts.

A. Do you mean the dollar volume or the number?

[fol. 7286] Q. I am going to ask you for both; but at the moment we are talking about dollar volume.

A. All right.

(Pursuant to the above-mentioned agreement, the following information was provided by the deponent on the occasion of his reading and signing his deposition: (See page 26-A)

Year	Total Amount*	Direct Connect	Central Station
1955	$220,000		
1956	202,000		
1957	215,000		
1958	238,000		
1959	247,000		
1960	312,000		
1961	320,000		

* Figures are approximate amounts

[fol. 7287] Supplement to deposition of ARTHUR A. SCHWARTZ

Civil Action No. 2785

UNITED STATES OF AMERICA,

vs.

GRINNELL CORPORATION

Year	Direct Connect	Central Station
1955	Unavailable	0
1956	"	0
1957	"	0
1958	"	$ 1,831.00
1959	"	6,260.00
1960	$40,800.00	8,675.00
1961	46,250.00	11,655.00

[fol. 7288] By Mr. Conkling:

Q. May I ask you, sir, whether these revenue numbers we have been talking about include your installation charges?

A. Yes, they would.

Q. Incidentally, does your company or has your company over the last ten years done any manufacturing and selling of devices?

A. No. We manufacture most of our own equipment, but we do not sell it to other companies.

Q. Is that a matter of company policy?

A. Yes. It is primarily because it is registered in our name with the laboratory, and for competitive purposes. We feel we have a product we do not want any other alarm company to be able to offer our customers in competition.

Q. Have I seen somewhere in some pamphlet a reference to an item or an underwriters' laboratory device No. 87?

A. That is our certificate.

Q. That is your certificate?

A. That is our model number. It is an A-87 Underwriters' approved model.

Q. Have you received requests for the purchase of your equipment over the last ten years?

A. Oh, yes, from time to time.

[fol. 7289] Q. But you have turned them down?

A. Yes.

Q. Now, we have talked about revenue over the period indicated. Can you tell me, sir, what your current number of customers are—accounts?

A. I am hoping you do not turn this over to all the competition.

Q. You can count on it. It will not be turned over to any competition.

A. I think our latest tally would be about 2300 or 2400 accounts.

Q. This is the total of all systems?

A. The total of all accounts, yes.

Q. Can you tell me with reasonable accuracy how many of those are direct connects and central station respectively?

A. I think we have about 300 direct connect units and about 40, perhaps, of the central office supervised service.

Q. You are speaking as of now, I take it.

A. Yes. And this I could not be held to, the accuracy of it; but I think that is the last report I have that I can remember.

Q. I do not suppose you can recall or tell me how many [fol. 7290] you have had approximately at the end of each calendar year over the last five or six years—or can you?

A. There are some figures here. Well, starting from the bottom again, in 1960 there were 2,150.

Q. Check.

A. In 1959 there were 2,054.

Q. Right.

A. Nn 1958—well, 1958 is missing. 1957 is 1,974 units.

Q. Right.

A. And then it jumps all the way up to 1954, which was 1,684 units.

Q. You mean the years 1956 and 1955 you do not have available?

A. They are not on this sheet. Evidently the records were not kept accurately enough.

Q. What was that 1954 number?

A. 1954 was 1,684. I have 1953, if you want it?

Q. I think that is far enough back. Now, as to 1960, do you have any breakdown as to direct connects and central station?

A. The only one on here is the direct connects, with 31 in 1960, 12 in 1959, 7 in 1958 and 11 in 1957.

Q. Do you have central station numbers, by chance?

[fol. 7291] A. What do you mean by "numbers"?

Q. I mean the numbers of accounts.

A. These were central station numbers that I gave you.

Q. The "31" and so on?

A. The 31, 12, 7 and 11 were central station. The direct connects are not on here.

Q. Well, I will leave a space here in the deposition, and perhaps you can fill that in for me later.

A. Yes. I have a note of that.

(Pursuant to the above-mentioned agreement, the following information was provided by the deponent on the occasion of the reading and signing of his deposition: (See page 30-A)

Year	Total Accounts	Direct Connect	Central Station
1954	1,684		
1955			
1956			
1957	1,974		11
1958			7
1959	2,054		12
1960	2,150		31
1961	2,400*		

* Figure approximate

[fol. 7292] Supplement to deposition of ARTHUR A. SCHWARTZ

Civil Action No. 2785

UNITED STATES OF AMERICA,

vs.

GRINNELL CORPORATION

Year	Direct Connect	Central Station
1954	U	0
1955	N	0
1956	A	0
1957	V	0
1958	A	11
	I	
1959	L	25
	A	
	B	
	L	
	E	
1960	226	30
1961	258	41

[fol. 7293] By Mr. Conkling:

Q. Now, sir, when you say your services, or some of them, are Underwriters' approved, would you explain that in a little bit more detail for me as to the services which are approved and the equipment we are talking about that is approved?

A. Well, the services that are approved, I think, amount to around perhaps 70 per cent of our entire subscriber volume; and they are listed with the Underwriters' Laboratory, and a certificate thereby issued. And we are subject to the Underwriters' inspection. They are necessarily maintained according to the Lab's rulings. We exceed that only in the fact that we service our accounts 24-hours a day, which is not required by the Laboratory.

Generally, in an unlisted system, we perform primarily the same tasks and, in most cases, supply the same equipment to keep and maintain a uniform type of equipment on the road to facilitate servicing parts—that is, servicing as far as parts that the servicemen are obliged to carry. And

there is not too much difference in either the practice of installation or the type of equipment we use.

Q. As between the approved and the non-approved?

A. Right.

[fol. 7294] Q. Now, when you say your company provides 24-hour a day inspection——

A. Repair service.

Q. —and repair service, is that more than the minimum requirement of the Underwriters' Labs?

A. Yes. The minimum requirement for the Lab is that it be repaired within a 24-hour period, which could, you know, you extend beyond the closing time of the store for that night. But as a company policy we have maintained around-the-clock servicing for these accounts for a good number of years.

* * * * * * *

[fol. 7295] Q. Does your company have any other approvals than the Underwriters' Lab approvals?

A. No. That is the only one.

Q. Where is that organization located, that is, the Underwriters' Labs?

A. In Northbrook. I think it is in Northbrook, Illinois now, isn't it, or don't you know?

Mr. Levy: I think you are correct.

The Witness: Yes. I think it is in Northbrook, northwest of the city.

By Mr. Conkling:

Q. Northwest of Chicago?

A. Yes.

Q. Will you outline for me, Mr. Schwartz, the steps that your company has taken to obtain the approval of the Underwriters' Labs which you mention?

A. Well, it consists of the components being examined [fol. 7296] and passed by the Underwriters' Laboratories. The manual lays out the type of protection that is required for each specific kind of unit, and the adaption of any devices used in the installation of a burglar alarm system is specifically laid out by the Lab's manual.

Q. Is this a costly venture to undertake?

A. Yes. I think our costs—oh, they might average around three, four thousand dollars a year for their inspection and their certificate services. I can check that and give you a memo on it on lab costs; but I do think the number of accounts that we do certify or certificate does cost us around three thousand dollars a year.

If it is important, I can get the costs over the phone—or can it wait?

Q. Well, do you believe now that the figure you mentioned is quite accurate?

A. I believe that would be close.

Q. Is that cost reflected in your charges to your customers?

A. Well, we try not to let it creep in there. There is no specific additional charge, so to speak, for a Lab installation, although the requirements to put in an approved account make the alarm itself cost approximately $50 more to install, and the type of service required would possibly [fol. 7297] add a dollar a month to its maintenance check.

Q. I think you said, sir, that approximately 70 per cent of your local burglar alarm systems are certificated?

A. I think that would be accurate, yes.

Q. The reason the other 30 per cent is not certificated is what?

A. Well, the subscriber doesn't require a certificate because he doesn't carry an insurance program.

Q. The issuance of a certificate, as you mention, has something to do with insurance discounts such a subscriber would receive?

A. Yes. In most cases the insurance company requires a certificate to the issuance of a policy to the subscriber; and if he complies with the Underwriters' certificate installation, he generally picks up a discount. The local discount, on our local alarm, rather, is generally 20 per cent.

Q. Is that a Grade A Class III Certificate?

A. That would be a Grade A-III Underwriters' Certificate, yes.

Q. Are any of your direct connected subscribers the holders of certificates?

A. Most of them are.

[fol. 7298] Q. How about the central station subscribers?

A. They, I would say, entirely are.

Mr. Levy: What type of certificate, sir?

The Witness: They would have a Grade A-III, local certificate.

Mr. Levy: Both direct connected and central office?

The Witness: Yes. The only variation in the certification on these direct connects and the central office supervised alarms or certificates is that they often get a specific underwriting or credit for the direct connect or the central office, and thereby pick themselves up an additional discount on their premium.

By Mr. Conkling:

Q. If you know, what is that additional discount?

A. It is generally written up at 20 and 5; an additional 5. And 20 and an additional 10 per cent discount. It is usually 5 and 10. But that relies entirely for specific underwriting on a particular installation. There is no definite or predetermined provision for it.

Q. So is it true, therefore, that as far as you know, the direct connected subscriber and the central station subscriber might not receive an additional discount?

A. I would hesitate to answer. I don't quite understand you.

[fol. 7299] Q. Well, I understood you to say each of the direct connected and central station installations stand on its own two feet, as it were.

A. That's right.

Q. Subject to the inspection of the underwriter.

A. The company underwriter, yes.

Q. And he may, such a subscriber, that is, receive five or ten per cent additional discount; he also may not receive such additional discount.

A. That is true. Yes.

Q. I do not recollect whether I asked you your business address, Mr. Schwartz.

A. It is 1420 Augusta Boulevard.

Q. Is that the headquarters of your business?

A. Yes. That is the main office and the plant.

Q. Do you have other business addresses?

A. I maintain an office at 1300 East 75th Street. That is listed as Certified Burglar Alarms.

Q. That is in Chicago also, is it?

A. Yes. And I maintain an office at home that is not in the directory as listed.

Q. But the two business addresses you mentioned, aside from your home address, are the addresses from which your company renders the services which you mentioned.

[fol. 7300] A. Yes.

Q. How many employes do you employ currently?

A. I think it would be eighteen besides the three officers.

Q. Would you break down for me that eighteen as to the nature of the work they perform?

A. Well, there are two office employes, a dispatcher and bookkeeper.

Q. Check.

A. There are two shop employes that manufacture and make up the equipment. There are six full-time servicemen or repairmen.

Q. Go ahead.

A. And I would say the rest are installers.

Q. Approximately eight installers?

A. Yes. Six to eight installers and six to eight servicemen. We switch them around according to the way we need them.

* * * * * * *

Q. Will you tell me, sir, in what geographic area your [fol. 7301] company renders the services which you have described?

A. Well, we extend ourselves in a radius of about fifty miles around Chicago.

Q. Are we in about the center of the area now?

A. I would say yes. Between forty and fifty miles is about the extent of our extremities.

Q. What limits that radius?

A. Practicality mainly, as to how we could service these accounts efficiently, and the fact that there are other burglar alarm companies that range beyond that point that could supply the customer with an easier or better service program.

Q. So far as you know, has the ADT Company or any other defendant done anything to prevent your extension of your operations beyond the area you mentioned?

A. No. I think you would find it just the opposite, that ADT does not extend itself that far, as far as I know.

Q. Do you render any services outside the State of Illinois?

A. No. Well, I have to correct that. We do have a few in Hammond, Indiana, which is quite close.

Q. How close or how far is it, approximately?

A. Oh, twenty miles. But the state line is quite close to us on the south end of our route.

[fol. 7302] Q. Do you render any service in Gary, Indiana?

A. No. That is a little out of line for us.

Q. Do you know of any company or companies that do render services in Gary, Indiana?

A. The only one I know of there is the Arrow Protection Company, or Arrow Burglar Alarm Company; and they operate out of Gary.

Q. It seems to me I have heard the name or have connected the name Certified Burglar Alarm Company with some other state. Am I right or wrong about that?

A. Yes. We had maintained for years a branch in Detroit, another in Toledo, and a third one in Ft. Wayne.

Q. But you no longer do?

A. We no longer own any portion of them. They are still called Certified of Toledo, I imagine, and Certified of Detroit.

Q. Approximately when did that change in ownership take place?

A. Around 1955, I believe.

Q. How far is it approximately to the city limits of the City of Chicago?

A. You mean from the Loop here?

Q. Yes. Speaking of from the Loop here.

A. Oh, I should say fifteen to eighteen miles in either [fol. 7303] the north or the south direction, and perhaps a little shorter in the west, west of the city.

Q. So when you mention your approximately fifty-mile radius, your operating radius, you service, I take it, many of the suburban communities on the periphery of the city.

A. Yes. That is what we do. That is where we have our—that is generally where we get our police station connections.

Q. And the central station connections you have men-

tioned, are they within or without the City of Chicago—or both?

A. They are all within the city limits.

Q. How many central station companies are there in Chicago so far as you know?

A. Well, besides ADT, there is Central Watch Company, the Burns—I think it is—Detective Organization, and the Kane-Kedzie Patrol Company.

Q. How about Suburban Patrol? Do they operate a central station?

A. Well, I think you are right there. They operate a central office service into their own telephone answering service, shall we say, office. And they are undoubtedly numerous. There are undoubtedly numerous ones of those.

[fol. 7304] Q. Numerous persons who render protective services or offer to render protective services through the use of telephone answering services?

A. Yes. I might add that we just bought the North West Burglar Alarm Company, who was a central office burglar alarm company up in Wheeling, Illinois, which is just north of Chicago. We just purchased them last year.

Q. What is the nature of the business that company performs?

A. He was operating a central office burglar alarm company directly into his own office.

Q. Through a board of some kind?

A. Oh, yes. He had an enunciator system and used telephone lines to do it; and he made his own runners and operated basically the same as any of the rest of them.

Q. How recently did you make that purchase?

A. Here we go again. I think it was about October of last year.

Q. Did he operate in and about Wheeling or in Wheeling only?

A. He concentrated just in the North Suburban area there, between Wheeling and, oh, Gray's Lake, around in that area.

Q. What is the name of the person who is the principal [fols. 7305-7306] in that organization, if you know or recall?

A. Gee, I can't remember his name.

Q. I do not think it is important. He is not with you now, is that right?

A. He is not with us now. He is out in Texas someplace.

Q. About how many accounts did he have?

A. I think we took over about fifty accounts there.

Q. Now, you mentioned the Burns Detective Agency. Do they have a central station in Chicago now?

A. They have just built a central station office in Chicago here. It is right in the Loop. And they started about a year ago. So we feel there is room for more.

Q. When you mentioned, as you have, your central station accounts, to what central station have you connected your——?

A. These all go into Kedzie-Kane.

* * * * * * *

[fol. 7307] Q. Can you tell me whether your company maintains a research, development or engineering department of any kind?

A. Yes, we do.

Q. Would you tell me about that?

A. Well, in order to keep the thing alive and current and improve it, we are always playing with some new device, such as timers and controls, and looking at new attachments for our equipment and arrangements on our control cabinets and developments on our bell movements.

Q. Have you obtained patents on any of your devices or equipment?

A. Just on our bell box. Our bell housing. That seemed the only portion that we thought necessary to patent.

Q. Do you know whether the ADT Company maintains a research, development or engineering department?

A. I would say they have the best, and the whole damned industry has either stolen or borrowed or copied some of their developments.

Q. Have you yourself ever inquired of the ADT Company [fol. 7308] or sought any information from their research, development or engineering department?

A. Yes. I have to admit that we have. They have helped us a great deal in the manufacture of our screens, and they were very gracious about it.

Q. You mention you have manufactured, and I think you also said that you—well, I don't think you used the word "assemble," but I think you used the word to mean "assem-

bled," put together components and such. Do you? As distinguished from manufacturing equipment, do you also assemble equipment you obtain from other sources in order to do the work you have to do?

A. Well, if I understand you correctly, we buy our ultrasonic equipment and apply it to our burglar alarms.

Q. From whom do you buy your ultrasonic equipment?

A. Walter Kidde Company.

Q. Is there other equipment you must purchase from others in order to perform the service your perform?

A. Yes. We buy our electric eyes from both Walter Kidde and the Ademco Company. We use two types.

Q. Is that all?

A. There is just one other item we use in any quantity at all, and that is the magnetic units, door switches, vibrators. We buy those from some outfit in New York. I think [for. 7309] I have that here, too (indicating).

Q. Ademco?

A. Ademco supplies eyes to us, but the vibrators are bought from Fruh. Fruh sells us our vibrators and we also buy them direct from New York Burglar Alarm Company, I think it is. New York Central Alarm Service.

Q. Over the last ten years have you experienced any difficulty in obtaining component parts that you need?

A. No.

Q. Have deliveries been satisfactory or have they seemed slow?

A. No. I can't say that we have ever—the only ones that have been a little short on supply is the Walter Kidde people, and that would be a change of a model or something like that; and they were a little tardy in shipping them out. But there is no—without taking this down, the name I was trying to remember Saturday was not Middleton——

Mr. Conkling: Would the record indicate the witness is speaking to Mr. Levy? We will get to that, Mr. Schwartz. Right now, Mr. Reporter, would you get me back to where I was?

(The record was read.)

By Mr. Conkling:

Q. Do you buy at all from the Potter Company?

[fol. 7310] A. No.

Q. Are there other suppliers and manufacturers in this industry whom you have not mentioned but whom you know do exist, such as the Potter Company, whom I mentioned?

A. Well, my experience with the Potter Company is some years ago we bought a hold-up footrail from Potter Electric, and we have since designed one we feel is better than Potter's, and cheaper than Potter's. Basically, that is the purpose of manufacturing our own, to circumvent excessive cost or any cost that we can avoid.

Q. You mentioned the magnetic door switches, I believe, did you not, just a moment ago?

A. Yes.

Q. For how long has the magnetic door switching been in use in this industry—that is, how long has the magnetic door switch been in use?

A. Well, my recollection would be about maybe eight or ten years.

Q. Has it in the last eight or ten years replaced entirely the type of switch which was used theretofore?

A. Well, we make it a practice of replacing them almost entirely, whereas the other companies, the smaller companies, are still using a brass contact.

Q. Has there been any difficulty, so far as you are con-
[fol. 7311] cerned, in obtaining supplies of magnetic door switches?

A. No. I think there is a sort of a flood of the things coming across now of two or three different sources that are improving the switch and offering the switch to the market.

Q. You just mentioned a footrail in connection with the Potter Company. Is that footrail a kind of device that is used in hold-up alarm systems?

A. Yes. Basically. It is just a hold-up alarm for banks or currency exchanges or loan offices.

Q. Do you have among your accounts some banks?

A. Yes. In the suburban areas I have, oh, a number of banks. I couldn't offhand name the number, but we have maybe ten or twelve of them.

Q. These are all in the suburban areas?

A. Yes.

Q. Are any of them branches of banks which also operate here in the City of Chicago.

A. You don't know your geography. They don't have branch banking in Illinois—do they?

Q. I certainly don't know that.

A. I don't think it is allowed. But they do include sizable banks in the suburban towns.

Q. Are they national banks?

[fol. 7312] A. Yes. There are a few national banks among them. Savings and loan offices and building and loan assotions, and currency exchanges.

Q. Are these several kinds of customers you have just mentioned subscribers to your Local alarm systems?

A. Primarily they are all police station hook-ups.

Q. The direct connected types?

A. Yes.

Q. Getting back to that footrail for a moment, do you recall approximately when it was you ordered or bought one from the Potter Company? Was it within the last ten years, let us say?

A. Oh, yes. About, I would say, three or four years ago.

Q. Did you at that time seek to obtain such a footrail from any other source?

A. I can't remember whether we had contacted anyone other than the Potter people, although we could easily have. I do remember having either two or three samples to choose from.

Q. And then you selected the Potter equipment at that time, and since then you have made your own, is that correct?

A. Well, I think that was decided when we decided to [fol. 7313] build our own right then and there, that these didn't stack up to what I was trying to accomplish.

Q. Is there any equipment you have needed over the last ten years which you have not been able to obtain or manufacture for yourself?

A. No. We have never been starved of anything we thought we needed to operate with.

Q. Now referring back again for a moment to your sample form of contract, Defendant's Exhibit 1 for identification, with reference particularly to the provision which retains title to the equipment in your company. Would you

tell me what is your standard procedure, if you have one, upon the termination of a contract or the cancellation of a contract as far as the equipment is concerned?

A. We generally either get permission to leave it in for a future tenant, or we remove it.

Q. If you have any way of knowing that there is not going to be a future tenant, what do you do?

A. We take it out. We take it out and remove it.

Q. So far as you know, is that practice of removing the equipment of the servicing company in this industry customary?

A. Yes.

Q. Among other companies than your own?

Mr. Levy: I am going to object to that question unless [fol. 7314] you lay a foundation as to the extent of the witness' knowledge.

By Mr. Conkling:

Q. Would you answer that question? I think you said "Yes."

A. I think I can qualify my answer by saying that all the companies, especially the smaller ones, strip out their screens and their contacts, besides their instruments; and I think ADT and ourselves are the only companies who generally leave our stuff in, that is, take the equipment and leave our screens, even leave our contacts, hoping that we will get the account back again at a future date. And it is common practice for us to get a call from a company, saying, "Gee, you have a screen and a fan here; you have some wiring or panels laying around in this joint. Do you want them or can we use them?" And ADT has done the same for us.

Mr. Levy: I am sorry. Do you understand that answer? I do not. I wish you would clarify it as to what ADT does with your equipment.

The Witness: In some cases it doesn't pay for us, if the equipment has been there not a reasonable length of time, but a considerable length of time—the condition of it, as to being reusable, doesn't warrant us taking it out cost-[fol. 7315] wise, and we will abandon it. So the next burglar alarm operator is welcome to use it when he shows up.

And we have used ADT's screens and terminals and everything else from time to time, where we find them abandoned on the job.

By Mr. Conkling:

Q. Now, sir, would you tell me, please, your—well, before I get to that, let me ask something else. Withdraw that for a moment. When you mentioned your employes and the nature of the work they do, you did not mention any salesmen, according to my notes. Would you tell me who in your group do the selling?

A. Myself, my partner and I have just got an alternate in there. He is the combination salesman and installer and serviceman. I am breaking him in as a substitute for myself.

Q. When you or your partner or your new salesman solicit an account or when someone calls you and expresses an interest in the service which your company furnishes, tell me what you do about it.

A. Well, to the list of salesmen I have to add Norville Poulson, so that would be the two Poulson's and myself, and this Joe Hanauer. We call on the account, make a survey and try to consummate a sale right then and there. [fol. 7316] Q. When you say make a survey, would you tell me what that means in your industry?

A. Well, we use—and I do not think I have a copy with me—a survey sheet that lists the number of windows, the type of construction of the window, the physical properties of the building, and enumerate the number of openings that we are going to protect. From that, we can work up an installation figure. The same components will determine the cost of the maintenance of the installation.

Q. Do you ever quote a figure to someone over the phone who may call in and say, "Mr. Schwartz, I am interested in one of your systems," and he mentions which one he may be interested in. He tells you he runs a jewelry shop on LaSalle Street. Would you quote him a number over the phone as to what you do the job for?

A. We can give you an approximate figure over the phone.

Q. Then what? How does the approximate figure become positive?

A. We make an inspection.

Q. Would you ever enter into a contract without making the inspection?

A. Rarely.

Q. I see from your form of contract, Defendant's Exhibit 1 for identification, that there is provision made for [fol. 7317] an installation charge, is that correct?

A. Yes.

Q. Would you tell me what factors you consider in computing that charge, and I am distinguishing between that and any service charge you may make.

A. That would be the cost of wiring the components, the doors, windows, transoms, skylights, whatever is included, the cost of installing the equipment, the additional cost of adding a transmitter or a police station connection, and that would enter into the entire installation picture.

Q. Do I understand you correctly to say you therefore attempt to compute the cost of the equipment plus the cost of labor?

A. No; not the cost of the equipment. The components, the labor for wiring the components, such as foiling windows and stripping skylights and contacts and so on and so forth.

Q. Is there any overhead factor considered in your installation charge?

A. Yes. We have a scale or basis for figuring the cost of the actual labor, plus our overhead. You can come up with a pretty accurate figure as far as the actual cost of the installation of the premises.

[fol. 7318] Q. Do you attempt, if possible, to include some profit element in the installation charge?

A. That is the big joke in the installation department. We attempt to figure a profit element, but sometimes it disappears. There are unforeseen construction problems that occur in a job that we can't always detect; and the guy will run into a steel column trying to drive a hole through a wall or something like that.

Q. But is it true that if your judgment has been perfectly accurate and everything goes as you have planned it would go, the installation charge would be a profitable charge to your company?

A. Yes. But a very small portion. I mean a very small profit can be expected in installation. Our prime concern

is the maintenance of the account. The profit picture in installation is quite low.

Q. You endeavor to make your profit, then, I take it, from the service charge which you make.

A. Yes. That is predicated on an experience basis. It is predicated on how good we do our work, whether the thing is going to break down or be faulty; and that is our problem.

Q. And among other things, when you say your "experience," do you have in mind the fact that once you get the [fols. 7319-7320] account, you will have it for a while, based on your experience?

A. That is one of the factors that determines our rate.

Q. So the longer you have the account, the more profit you will make?

A. And the type of location it is. We know that a tavern, a gas station, a grocery store, is going to give us a lot more trouble than a dress shop or a currency exchange or a neatly operating drug store; and it will help us determine our maintenance fees and our costs.

* * * * * * *

[fol. 7321] Q. Would you tell me, then how the service charges are computed as distinguished from the computation of your installation charge?

A. That is based primarily on the number of openings, the amount of liability we incur as to the replacement of the different components that form the burglar alarm system. In other words, if a man has two display windows, our chances of refoiling them are less than if he had eight front windows. Therefore, we would add a certain amount of the maintenance program for controlling eight windows. It is replacement, servicing, the amount of repairs that the additional units would take, which would naturally be greater than the smaller number.

Q. And in the computation of the service charges, do you consider overhead and profit?

A. Yes.

Q. Has your business been profitable over the last ten years?

A. Yes.

Q. Without asking you any specific profit figures, can

you tell me, sir, whether your ratio of profit has been increasing over the last ten years or holding the same or de-
[fol. 7322] creasing?

A. I would say I know it is increasing. I think we are finally learnings how to operate a burglar alarm company.

Q. Can you tell me whether your prices generally have increased over the same period of ten years or have they remained the same?

A. The prices have increased in the past ten years. What percentage they have increased I could not accurately state. But we have had to increase our prices to the subscribers.

Q. Can you approximate for me what the price increases have been over either the last ten years or over the last five years, or any period you can think of within that area?

A. I would say the last five years we have increased our prices roughly about, oh, 16, 17 per cent.

Q. Does this apply to each of the types of services which you furnish?

A. Yes. We would pass it along or spread it along all types of accounts.

Q. When you mention the approximate 17 per cent figure, I take it that has not been at one time, but that it has been over the period mentioned, over the five year period.
[fol. 7323] A. Yes.

Q. So have there been several increases over the last five years which you estimate to total approximately 17 per cent?

A. Let me give you an idea how it is done or how it was done. I think we started in 1957 to re-evaluate our service contracts, the existing contracts. The reason I mention this 16 or 17 per cent is that we take a six-dollar account, which is six dollars a month, and we sent them a notification of a raise in rate to seven dollars a month. Well, in the ensuing years we were not writing these accounts at six dollars; we were writing them at seven. And I do not believe we have raised our rates over existing accounts since 1957. There may have been a few odd ones that we felt were underpaying and we then brought them up to this level. In other words, a contract that was written in 1957 or 1958, or rather in 1956, that did not warrant a raise at that time, possibly was picked up in 1959 or 1960. But I believe that is the last time we have even gone over our old accounts,

and we have a lot of real old accounts in there. But that would be the only percentage figure I could really put my finger on as far as an increase in rates.

Q. And the reasons for the price increases you have [fol. 7324] mentioned have been what?

A. Well, they have been warranted by the additional salary raises, cost of doing business, purchase of materials and operating costs.

Q. Have you sought to increase your profit ratio by these increases?

A. Basically, it is a case of keeping your head above water because of the increased costs of doing business.

Q. In other words, you were seeking to maintain your profit level.

A. Yes. I would say so.

Q. Now, I take it, Mr. Schwartz, judging from the number of accounts which you have mentioned heretofore, the 1,684 accounts in 1954 up to 2,400 accounts in 1962, and the increase in your gross revenues from $220,000, as you testified, in 1955, up to $312,000 or the approximately $320,000 in 1961, your business has undergone an upward trend over that period.

A. You are very observant. You will notice, also, that the number of accounts has not increased too greatly, and that differential in gross income is the result of higher—is an increase in cost to the subscriber for the installation work and the additional cost in the maintenance figure. And a lot of it or a good portion of it is the addition of [fol. 7325] these direct connect accounts and the central office accounts. They have accounted for a sizable portion of that gross income.

* * * * * * *

Q. Would you tell me generally, sir, the types of business establishments, commercial establishments, you would say are using your local burglar alarm protection services? And with that in mind, I would ask you later what are the types your direct connected services protect and the types your central station services protect.

[fols. 7326-7328] A. Maybe I can generalize it for myself and for you. The caliber of stores, as I have known them ten years ago or fifteen years ago, that caliber of store has disappeared. There are no, shall we say, junk shops any-

more. The caliber has elevated itself, and basically we are doing the same type of stores in both fields or both areas today, but on a higher level—more elaborate stores, higher-class merchandise stores. In general, I think the caliber of the store is elevated; but it would be reflected in all or either one of our subscribers.

Q. Meaning local burglar alarm systems, on the one hand, and the direct connect or central station on the other?

A. Yes. Do I answer your question?

* * * * * * *

[fol. 7329] Q. Now, sir, will you tell me from what firms or companies in the Chicago area in which you render service you meet competition? From what firm do you meet competition?

A. I would say we bump into all of them in our range.

Q. Would you name them for me?

A. Well, you can go down the list. There would be ADT, Central Watch Service, Kedzie Patrol, and all the local companies—Ever-Ready, AFP——

Q. Cooperative?

A. Co-op, Victor Alarm, Chicago Mercantile.

Q. Burns?

A. Burns, yes. The customer today or the buyer today, well, I suspect him of opening the phone book and saying, "I'm going to invest a dollar in phone calls," and he will have a parade of us coming in.

[fol. 7330] Mr. Levy: I move to strike that statement, on the ground it is based upon an assumption.

The Witness: Well, let me qualify the statement, then, Mr. Levy. I don't like to contradict you often, but you will call on a customer and either you will meet the competitor there, or, after you have gotten a chance to talk to the subscriber and give him a figure, he will tell you himself, "Well, I will let you know in a couple of days, because I am expecting Central Watch in here, and I have called AFP, and I will wait until ADT gives me a figure." So you have four or five names mentioned very frequently.

By Mr. Conkling:

Q. And they are not always the same four or five names I take it.

A. Oh, no.

Q. But they include all of the names you mentioned a minute ago.

A. They will go down and pull them out of the phone book. That is a reasonable way to buy something. There can be no objection on my part. I am given as many chances, as much of a chance, as the rest of them.

Q. Are there more companies offering protective services in Chicago today than there were ten years ago?

A. Yes. I would say there are more companies. There [fol. 7331] have been numerous new ones appeared in the field.

Q. Do you know of any person or company who has attempted to enter the field in this area with which you are familiar who has not been able to?

A. I can't say that I do. I can't see what would restrict him from entering the business. We have seen them come into the field—well, let me change that. We have seen them appear in the Redbook for a year or two years, and then disappear. The reasons for their disappearance, I imagine, are that they just can't qualify or write enough business to warrant staying in business.

Q. Can you think of any person or company which has tried to enter this field in the last ten years who has disappeared, as you say, from the Redbook?

A. The names I cannot. One name that stands out is a "Ruth Jones" that appeared last year or the year before. And I do not believe we found them in the book this year.

Q. Is that a Ruth Jones who also ran a dress shop somewhere here in Chicago?

A. That I couldn't tell you. The name stands out because it seemed to be an odd name for a burglar alarm company. What the hell, we want a masculine name, shall we say, for protection, you know.

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[fol. 7332] Q. Do you know whether you have any accounts or subscribers to your local burglar alarm services which were formerly central station or direct connected accounts of some other company here in Chicago, such as ADT or Kedzie, or the others which you have mentioned?

A. You say do I know of any or how many?

Q. Fir–, do you know of any?

A. Plenty.

Q. Can you tell me approximately how many?

A. Well, if we have got 2,400 subscribers today, I think [fol. 7333] you could perhaps take ten per cent of them or more and say they were central office subscribers when they were taken over by ourselves; and there is a very good reason for it. The cost of operation is so radical that a man who can operate a burglar alarm on eight dollars a month is going to come back and become a local alarm customer, where the same burglar alarm service would cost him perhaps twenty-five dollars a month. And if he can effect his insurance program with this burglar alarm (indicating) and secure the amount of protection he needs, he is going to come back into a local alarm system.

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[fol. 7334] Q. Have you lost any of your local burglar alarm accounts to ADT or to Kedzie or to any central station company because you know your subscriber suffered a loss in property?

A. There I can answer yes, for this reason: There are some neighborhoods in Chicago that do not get adequate police protection; and as a result, the gong has not stopped raiding a window or displays in a window, whereas the ADT people or central office people will at least get a runner down there within a reasonable length of time and kind of shut off the chances of losing more property out of the premises.

Q. But not preventing, I take it, the quick in-and-out technique.

A. Nobody can stop a crash and run, whether it is a central office or a local alarm. Our selling point is that rather than have a silent area, the customer is benefitted by having a gong. At least the next car coming by is liable to be a squad car and zero in on it, and it causes some attention to the premises.

Q. Is there any appreciable or measureable number of the so-called smash and run intrusions in the Chicago area? Does it happen often?

[fol. 7335] A. Oh, yes. It is quite a common occurrence, I would say.

Q. What is the type of property that the thief is after in those cases, generally speaking, in your experience?

A. Generally it is a clothing display window. They rarely put any liquor in the display windows anymore. They use dummy displays.

Q. How about rubber tires or automobile accessories?

A. Well, automobile accessories and radios are about the next category.

Q. Cigarettes? Is that a category?

A. They are rarely displayed close to a plate glass window.

Q. Are there certain kinds of property, so far as you know, based on your experience, which are the target of these smash and run artists by reason of their ready saleability or quick cashability?

A. It would be back again to your radios or tires or auto batteries, and then clothing.

Q. Do you know, based upon your experience, whether that kind of smash and run loss is suffered by subscribers to central station protection as well as subscribers to local alarm services?

[fol. 7336] A. I would say yes, that incidence of that kind of crash are as great or greater than the local alarm people's.

Q. When you imply that possibly their accessibility is greater than the local alarm subscribers, would you explain that for me?

A. Percentage wise. There are more central station accounts in the high target areas or the high merchandise target areas than there are of local alarms. That does not mean that a jewelry store is going to leave high priced jewelry in a window because he has a central station alarm, but by the same token I think the incidence of clothing stores has more ADT or central watch or Kedzie protection than they do local alarms. We blame it on the insurance companies. They have been kind of beating the local alarm people around the head with their requirements of putting in central station alarm service. So naturally the type of account, the type of merchandise that the crash and run is going to be attracted to, it could easily be said, is going to be covered by a central station alarm.

Q. Now, sir, there is a phrase used that I do not remember which describes the kind of thief who gets into a protected premises and stays there until morning and until an

alarm system is disconnected, and then will do what he [fols. 7337-7338] came there to do, and then leave. Do you recall that?

A. Well, we refer to them as a thief that is locked in at night.

Q. Yes. Has this kind of thief, this kind of thievery, been done in Chicago over the last ten years, if you know?

A. Well, the only place it is readily possible for a thief to seclude himself is one of these large department stores. They are a multiple floor arrangement. As far as I know, the larger stores here have their inside patrols along with their perimeter wiring, and they have gone to the extent of using dogs. So I think that is becoming outmoded.

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[fol. 7339] Q. Do you, in seeking new business, encounter competition from any persons or firms which sell and service proprietary systems?

A. What do you mean by "proprietary systems"?

Q. When I say "proprietary system," I think of a kind of central station within the subscriber's premises, and patrolled or monitored by the subscriber's own guards.

A. Well, I think that could be accomplished by any one of the companies. Any company can offer and install that type of system. It would be true of any of the companies [fol. 7340] that solicit their business.

Mr. Levy: The local burglar alarm companies?

Mr. Conkling: I will put it another way:

By Mr. Conkling:

Q. Do you sell proprietary systems or offer to sell proprietary systems?

A. By "sell," you do mean sell outright, do you not, without maintaining them?

Q. Well, either.

A. We have installed proprietary systems but have always maintained them. In other words, we did not sell the equipment outright. We have always retained title to the equipment that we have installed.

Q. And the type of establishment in which you have made

the installation and service a proprietary system is what kind of establishment?

A. Well, one of the latest is the Admiral Corporation, where their plant is extended over a great area, and we direct them right into a control center for them.

Q. Right on their own premises?

A. On their own premises.

Q. Do they have their own guards or watchmen, who——

A. Who answer the calls and monitor the board. We have one out South here at the Johns Mansville plant. It [fol. 7341] monitors about two or three different buildings.

Q. And the revenues you derive from those systems, I take it, or those sales, installations and maintenance, are included in the revenue figures you gave me earlier?

A. Yes. They would be our gross income figures.

Q. What is the nature of the charges you make in the installation and servicing of such proprietary systems as compared to your local and direct connect and central station?

A. It is basically very similar to our local service, with the exception of the different components. In other words, it would be a composite figure of a number of components. The Admiral people, I would say, are spending maybe ten or twelve hundred dollars a year with us for maintenance of that system.

Q. Do they have other types of protection in that same establishment you are thinking of?

A. Offhand I would say they are using ADT for their fire alarm, their fire control, service, because we do not operate that.

Q. Do you have accounts, sir, that you regard as "prestige" accounts?

A. I don't know why that is brought in, but it always comes up. I will put it this way: When a company needs [fol. 7342] prestige accounts, they go for them. I feel fortunate that we do not need prestige accounts; but we have got the so-called prestige drug firms, like Steinway's and Walgreen's. I know I do all of Steinway's work——

Q. Here in Chicago?

A. In Chicago. I do some of Walgreen's work, and ADT does some of them. I do all of the Nelson Bros.' Stores, which are a large furniture chain here.

Q. They have multiple locations, do they?

A. Well, they have about six locations, or seven, and we have them all wired.

Q. You mentioned Walgreen's. Is that the Walgreen Drug which is a national company? They operate in other states than Illinois, do they not?

A. Yes, they do.

Q. Do you have other accounts, if you know, which operate nationally?

A. Yes. We do all of Kresge's work.

Q. Is this a local alarm?

A. They are all local alarms, but they are a national concern.

Q. Would you name some others for me, please?

A. Montgomery Ward. ADT does their work in the city portion, and I do their suburban work. The Sargent Drug [fol. 7343] Company is another.

Q. Do you do any work for the Elgin National Watch Company?

A. I think we still have their tower wired there, one room in their tower wired.

Q. How about Butler Bros.?

A. Butler Bros. we no longer have. We used to have their Ben Franklin Stores.

Q. How about Blatz Brewery?

A. I don't know if we still maintain it or not. That would be up on the north end, and I would be guessing if I say we do.

Q. How about Central States General Electric?

A. You couldn't prove it by me. Not today.

Q. Are there any others you can recall offhand whom you service who operate nationally?

A. Well, Harvey Clothes. We just did a store for Kinney Shoes. When I say I don't chase these chain accounts, there is a valid reason for it. I did a pilot program for the Kroger people——

Q. That is the Kroger grocery chain?

A. The grocery chain. And very reluctantly I had to tell them honestly that I was not going to make any concessions because they were Kroger's and had 87 stores in [fol. 7344] Chicagoland, because they change their mind, and we invest in these accounts, as I mentioned before. This installation business is a very hazardous profit picture for

us. And if those people elect in Cleveland or Toledo or wherever their offices are, to cancel them, you lose a string of accounts. You lose a lot of them all at once.

The cleaning firms are in the same category. I probably have about sixty, fifty to sixty, Checker Cleaner Stores wired. If they would all call us tomorrow morning and tell us to cancel those contracts, it would be quite a kick in the head. I would sooner play with the small people, where the loss, the incidence of loss, may be one or two or three stores.

So we have not chased any of these so-called prestige accounts.

* * * * * * *

[fol. 7345] Q. Sir, do you encounter competition, if you know, in your seeking after business or in seeking to retain business, from persons or firms which render patrol services or watchmen services?

A. I have very little competition from a patrol service, an outside watch service. It is too easy to disqualify a watch service as compared to a burglar alarm system, especially where the alarm is already installed. The maintenance of a burglar alarm is cheaper than the cost of a decent outside patrol service, and it couldn't possibly replace an electric system. I mean that is a selling point, and it has a valid argument.

Q. Are there persons or firms in Chicago which do render patrol or watchmen services?

A. Oh, yes. Central Watch is in both phases. They supply watchmen and they are in the burglar alarm business, and there is Pinkerton and Hargrave, and, oh, there are one or two other quite sizable companies.

Q. Have you sought to sell your services—withdraw that. I don't mean "sell." Have you sought to obtain as sub-
[fol. 7346] scribers of the services which you offer any persons or firms in the Chicago area which use watchmen or patrol services?

A. Quite frequently, yes.

Q. Have you been successful in displacing watchmen or patrol services by the offer of your own services?

A. Very frequently.

Q. And have subscribers or potential subscribers fre-

quently resisted your offer to sell your electrical systems, indicating their satisfaction with the watch or patrol system?

A. Well, if we can get the message across to them, there can be no resistance to an outside watch service's being replaced by an alarm system.

Q. How about an inside watch service?

A. Where the condition or the size of the layout of the building warrants it, then a watch service is practical. But if you get back to the insurance program, the insurance companies will recognize the burglar alarm as compared to an inside watchman in most cases, and give credit to the alarm and withhold it from the watchman, unless, of course, the building is such that an inside watchman is called for. But it has to be a big one. The average store that wants a man to clean up at night, during the closing hours, can- [fol. 7347] not get credit for the watchman as compared to the burglar alarm. In fact, they will ask him to keep the watchman out or the cleaning man out. He is not a registered, armed, trained watchman.

I think I could sell you a burglar alarm easily if you will let me. You better take that out of the record.

* * * * * * *

Q. Do you know, sir, approximately how long ADT Company has been in business here in Chicago?

A. Since I was a little boy, I understand. They are one of the oldest. I think we are about next in line, though.

Q. And then what? Kedzie-Kane?

A. Well, in the central office group, I think Kedzie-Kane came in, and then Central Watch, and then the last one was the Burns Burglar Alarm, the Burns Detective Agency alarm, I think.

Q. And I think you indicated Suburban.

A. Suburban, I think, is the name of the fellow who operates up on the north end of town here.

Q. Does Suburban also operate in a place called Rockford, [fol. 7348] or is that the north end of town?

A. I am a stranger in those parts. I think that would be one and the same.

Q. Can you tell me, sir, whether, based on your experience, you have an opinion concerning the number of the

percentages of subscribers in the City of Chicago for all forms of protective service which are accredited or certificated as distinguished from the unaccredited or non-accredited?

A. I think in our books we run pretty high, say around 70 per cent.

* * * * * * *

Q. In attempting to sell your services, Mr. Schwartz, do you from time to time encounter resistance from a subscriber on the stated grounds that he has insurance and, therefore, is not interested in protective service?

[fol. 7349] A. Yes.

Mr. Levy: I am going to object to the form of the question as being leading.

By Mr. Conkling:

Q. Answer it.

A. Answer who?

Q. Answer me. It is my question. Mr. Levy simply states an objection to it.

A. That is a frequent answer we get, that the burglar alarm is not required and therefore they will abstain from buying it. I mean they just avoid buying an alarm service.

Q. And in those instances where a potential customer states such a ground and you make your sales effort, do you sometimes overcome the resistance and sometimes not?

A. Occasionally; but not too frequently. It is an added cost of doing business, and the man is going to stick with his insurance program. And I don't blame him.

Q. Do you have any knowledge, Mr. Schwartz, as to whether any of your subscribers were required to obtain protective services in order to get insurance at all, that is, insurance coverage at all?

A. Very frequently. Certain types of stocks are uninsurable without a burglar alarm system. Whether they [fol. 7350] will accept a local alarm or whether they must have a central station alarm is quite a frequent answer in Chicago. So on one hand the insurance companies offer us competition in that they will accept certain stocks without

burglar alarms and therefore force us out of the picture; then, on the other hand, they require a burglar alarm and therefore produce a subscriber for us.

Q. Will you tell me, sir, based upon your experience in this industry, whether, over the last ten years, competition is increasing or decreasing?

A. Well, I would say that competition is increasing in this respect, that the burglar alarms companies today are offering better products; and those that do enter the field are profiting by the experiences and the components that we oldtimers have developed. So they can step into a tailor-made industry, so to speak, if they so desire, without designing their own equipment as we did years and years ago.

Q. Now, sir, can you tell me approximately over the last five years, let us say, how many of your local alarm subscribers have been lost to companies which furnish accredited central station service?

A. To quote a figure would be hazardous.

Q. Well, try to do it. Maybe you can tell us whether it is few or many or some or some percentage.

[fol. 7351] A. Well, if this will give you any idea, we call it our casualty list, which is really our take-out or cancellation list. I would say this year we may have lost not more than five to central office companies.

Q. Would you say that number is——

A. Typical?

Q. —typical or representative?

A. I would say so. That might be the average. It might run ten a year for a whole year, but we fortunately will pick up as many central office accounts to make up that ten that were formerly central station accounts.

Q. Could you give me any outstanding example in your mind, if you have any, of a local account of yours that has been lost to an accredited central station company, and then, sir, if you would, give me any outstanding examples of the reverse?

A. The reason I am laughing is that one of your prestige accounts in Chicago is DeKoven Drugs. And they have got a location out in the Altgeld Gardens, which is an entirely colored housing development, actually out on the southern extremity of the city limits. It is between Chicago and Riverdale at the river. I happen to have a

Checker Cleaner store there, and the DeKoven Drug Store [fol. 7352] there. I think Central Watch does some of their work; ADT does some of theirs. And I have got a couple of these out in the fringe. This thing is so troublesome. They split the windows into small sections because the insurance companies wouldn't replace large windows for them anymore. And they just remodeled this thing to a point where it needed some burglar alarm work. I refused to put back conventional foiling and wiring in the premises. Those people out there just tear the thing apart. And my servicemen are afraid to go in there after dark.

Now, we got into an argument with Ed DeKoven. He said, "To hell with you." I better watch my language here. "I'm going to give this to ADT." And I would not try to divert him from his plan. I think they called ADT.

Those are extreme cases. We don't even want that business. We are not equipped to send an armed guard over there at night to make a repair. But the average little store is sometimes pressured into putting in a central office burglar alarm or take out a local because of his insurance program.

Q. When you say "pressured," do you mean pressured by—well, pressured by whom?

A. By the insurance companies. They will not carry the insurance. They will not keep the insurance in force un- [fol. 7353] less he transfers over to a central station alarm, and that is the greatest incidence of losing local alarm customers to central office, through the insurance companies, not through the efforts of any of the central office companies. They don't go out and solicit the work. The subscriber is forced to secure central office service.

Q. By that you mean, as I understand it, because of the insurance company's policies on protection itself, the insurance program of that subscriber?

A. Yes.

* * * * * * *

Q. Has the ADT Company or any others in Chicago engaged in your business engaged in any price wars with your company?

A. Not in my reign, not during my term of working for the burglar alarm industry.

Q. Do you have any knowledge, sir, as to whether ADT [fol. 7354] or anyone else has sought or attempted to restrict your company's activities or operations?

A. Not unethically, except through good competition. Price cutting is not one of ADT's attributes. It is more frequent in the small local companies. Central Watch for a while was hard to get along with price-wise. In other words, they would quote prices we could not compete with on local alarms, or they would offer central office alarm very close to the cost of operating a local alarm, and the customer would be almost obliged to take a central office service for twelve, thirteen, fourteen bucks a month in contrast to our service, and pick up a few extra bucks on the insurance premium.

Q. You say in your experience as far as you know it is not true—what you have just said—of ADT Company?

A. They have been very fair as far as competition is concerned. I can almost guess their figures. When it comes to appraising or estimating an alarm—and generally I can come very close to their maintenance figures just from what I have learned of the industry.

Q. Do you have any knowledge as to whether the ADT Company has made any efforts to drive your firm or any of the other firms, the competitor firms you have mentioned, out of the field or the business of protective service in [fol. 7355] this Chicago area?

A. No. I have never heard of any accusation from—well, I have never heard of any action from ADT, and I think *O* told Mr. Levy Saturday that we are contemplating going into the central office business in Chicago. I certainly would not make any effort or take steps along that line if I thought I was going to be thwarted or stopped or held or anything else.

* * * * * * *

[fols. 7356-7359] Q. Did Mr. Levy ask you with reference to any particular portion of that complaint whether you agree with it or disagree with it?

A. I can't say he asked me directly, except that I think I voiced my opinion as to selling or having the subscriber

own a set of burglar alarm equipment because of the havoc it would produce. And I thought that was in this portion here (indicating).

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[fol. 7360] Cross-examination.

By Mr. Levy:

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[fol. 7361] Q. Now, could you relate to me the discussion which took place at your meeting with Mr. Fritz?

A. Well, I believe he went over the point of the complaint and we discussed as much—well, not near as thoroughly as we have discussed it the last couple of days with yourself and Mr. Conkling here, but basically what the government's complaint was and that is where my ideas of the remedies were formulated.

Q. Mr. Fritz discussed the remedies with you?

A. Either he discussed them with us, but I think we were in a better position to discuss them with him or tell him what our objections were when this was brought out.

Q. Did he give you a copy of the complaint?

A. Yes.

Q. Did he show you our demand for relief in the complaint?

A. That is what I call remedies or reliefs.

Q. Or remedies?

A. Yes.

Q. He pointed those out to you. Which of our remedies, as you call them, Mr. Schwartz, do you find objectionable?

[fol. 7362] A. Well, I am playing this from memory, but I think that it is the part where the company should be required to divest themselves of the title to the instruments and turn them over to the customer, let them buy them. That would be detrimental to the whole industry.

Q. Was it explained to you that that relief is directed solely against the defendants in this case and not the other companies in the industry?

A. Yes. But, it's readily seen that if it's directed against A.D.T. or Grinnel or whoever they are aiming at, it's certainly going to project itself into all burglar alarm

situations, all burglar alarm companies and believe me that would—that would harm the industry. It would harm our services to the subscribers greatly.

Q. Did Mr. Fritz make these points to you?

A. No, we did.

Q. You made them to him?

A. Yes.

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[fol. 7363] Q. Now, during the past year, Mr. Schwartz, how many of your subscribers who formerly utilized central station burglar alarm service changed to local burglar alarm service with your company?

A. In the past year?

Q. In the past year, yes.

A. I do believe there were two of them that took off the central station supervision and remained with the local alarm.

Q. Now, I also speak of A.D.T.'s central station subscribers or central watch or any other former subscriber too?

A. Oh, no. Did you mean mine?

Mr. Conkling: Clarify that.

Mr. Levy: I am clarifying it now.

Mr. Conkling: But it's another question, Bob.

By Mr. Levy:

Q. All right. Now, I will ask you just with respect to your central station subscribers.

[fol. 7364] A. That was your first question?

Q. Right. And the answer is two?

A. I think there were two of them, yes.

Q. Now, during the past year, how many former central station subscribers of other companies offering that service have changed to your local alarm service?

A. Now, let me get one thing clear. The year to me—our fiscal year is January 1st and those figures are emphasized in my mind because of my monthly reports.

Q. All right.

A. This year, and this is just hazarding a memory guess, I'd say we picked up maybe five or six.

Q. Could you name several of those?

A. Oh, there is one, the Mary Martin Specialty Shop, that was an A.D.T. account.

Q. Was it central station?

A. That was central station. That we took over.

Q. Do you know the reason why that company switched to your service?

A. I imagine his insurance company let down the barrier of central station wiring. You know, the demand for a central station wiring job. He had moved into a store out on South Cottage Grove that had our service in and his insurance company accepted it and so he transferred his [fol. 7365] 63rd Street store over to us. I just took one from Central Watch Service. It's a jewelry store out in Roseland.

Q. Is that a suburb of Chicago?

A. Oh, no. It's part of Chicago, but it's the Roseland district, 110th or 111th South Michigan Avenue. I think my boys are finishing it today.

Q. And did the subscriber give you a reason for changing to your local alarm service?

A. Our service was better. The reputation in the area was that our service was excellent.

Q. Are there any other companies which you can recall which have switched to your local alarm service?

Mr. Conkling: In the last year.

The Witness: As I say, Levy, there must be—we get maybe five or six or ten a year.

By Mr. Levy:

Q. Do you get more than that ever?

A. I am talking about averages.

Q. From central station to——

A. From central station to local alarms.

Q. I am speaking now from any source whatsoever, not only your company.

A. Well, they can only come from two sources or three, rather.

[fol. 7366] Q. A.D.T.?

A. A.D.T. and Central Watch.

Q. Kedzie-Kane?

A. Well, Kedzie-Kane, I wouldn't know the names of

them, but they would appear on my summary list. But Kedzie is not as big as either of the other two and Burns hasn't been in business long enough to lose any.

Q. But, would you say that ten a year would be a fair average of conversions from central station to local?

A. Yes. That we'd get. Undoubtedly, the other companies possibly do as much.

Q. But, since you are, as you have stated, the oldest and one of the most well-recognized local alarm companies in the city of Chicago, you would estimate that you would take as many as any other company then?

A. We get our fair share of them, yes.

Q. Now, could you tell me, sir, how many of your local burglar alarm subscribers during the course of a year will change to central station service, either with your company or with any of the other central station companies here in Chicago?

A. I think I answered that same question before, and the reason it doesn't provoke us too much is that we do [fol. 7367] kind of even things out. We will pick up a central office account almost as readily as we will lose one to a central office company.

Q. Do you have any opinion as to the reason for these changes from central station to local and then from local to central station as they do occur?

A. Well, primarily these decisions are founded on the insurance companies' demands. The only other reason where the insurance companies are not involved is the customer's reticence to go down and answer his own burglar alarm when it goes off because of neighborhood conditions.

* * * * * * *

[fol. 7368] Q. What is your average installation service charge for a non-certificated local burglar alarm system?

A. That is a low blow because I think I told you that there are very few average stores. If it's an eighteen foot front that will contain a door or single front door and transom, maybe two front windows, a rear door and a rear window and an exhaust fan, you can almost figure things about $150 to install it.

Q. And the service?

A. The service might run six dollars or seven dollars a month.

Q. Well, do most of your installation charges add service charges on these non-certificated systems fall within a certain dollar bracket?

[fol. 7369] A. No.

Q. Well, what is the range? What would be a minimum installation charge and service charge and a maximum installation and service charge on a non-certificated local?

A. Well, let me put it to you this way, Mr. Levy: we can take a small dry goods store that will not have an insured program and will buy a $150 burglar alarm or even $125 alarm system. And a food mart will have an extensive installation and not be insured. It's quite common that they are their own insurers and, therefore, they are in the uncertificated bracket too and the job can run $500.

Q. Well, I am asking you now what your minimum and maximum charges have been in this particular category?

A. Well, it could run from $125 to $500 or $600 then.

Q. For your installation?

A. Yes.

Q. How many $500 or $600 installations do you have in this category?

A. Well, out of that bracket of 2400 I could say that there possibly are 400 of them which would be $500.

[fol. 7370] Q. Would you list for me when the transcript of this deposition is brought to you for your reading and signing the names of twenty of your non-certificated subscribers whose installation charges have run $500 or more? And we will leave a blank here for that purpose.

(Pursuant to the above-mentioned agreement, the following information was provided by the deponent on the occasion of his reading and signing his deposition: (See page 121-A)

Mr. Levy: Off the record.

(Discussion off the record.)

The Witness: Well, then put it on the record. Do you question the fact that we sell non-certificated alarms in the $400 or $500 bracket?

By Mr. Levy:

Q. No, Mr. Schwartz. I just want to have a representative sample of the names of your subscribers who utilize non-certificated local alarm services where the charges are to that extent.

A. Well, if it doesn't confuse the questioning any, very few of your food marts carry insurance. Therefore, they do not—they don't require a certificate. They will have a liability policy for people having accidents and plate glass

. . . . . .

[fol. 7371] Supplement to deposition of ARTHUR A. SCHWARTZ

Civil Action No. 2785

UNITED STATES OF AMERICA

vs.

GRINNELL CORPORATION

Olson Electronics
Motive Parts of America, Chicago Heights
Motive Parts of America, Oak Park
Blue Island Gun Shop
Rocca Jewelers
Seno Tuxedos
Standard Automotive
Lyons Savings & Loan
Kenwood Liquors
Illinois Bell Telephone
First Savings & Loan of South Holland
Willie Tool
Rudy's Markets
Harris Gun Shop
Fem Tool Company
H & E Sod
Jacks Men's Shop
Raymond Levine Men's Wear
Helsel Jepperson Electric
Major Motors Company
Radio Station W.L.S.
Sip n Save Liquors
Miska Liquors

. . . . . .

[fol. 7372] and fire, but no burglary insurance. And those things run up into the chips. We have got—I've got fifty of them that I would say run well over the $400 or $500 mark.

Q. Well, fine. If you will just list twenty of those for me that will be satisfactory.

A. All right.

Q. What do the service charges run on these installations? We are speaking now of those in the $500 range.

A. Well, I would say that they run anywhere from twelve dollars to twenty dollars a month.

Q. Now, speaking of your certificated local alarm systems, could you give me the price range on installation and service with respect to those types of systems?

A. Well, going back to your question of averages, on a small installation like your $125 or $150 installation the certificated service might cost about $50 more to install and your maintenance for the same type of small installation would probably run a dollar a month more, instead of six dollars it would be seven dollars—or, generally, it's seven dollars maintenance fee and perhaps eight dollars for a certificated service.

Q. Well then, let me ask you this, sir, what price range [fol. 7373] with respect to service charge does the majority of your non-certificated locals fall into?

A. I'd say the average would be about seven dollars a month.

Q. And now, as to your certificated local service charge.

A. I think you could just peg them at about eight dollars a month.

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[fols. 7374-7376] By Mr. Levy:

Q. And when you say that all of your central stations are certificated, exactly what do you mean?

A. That there is an insurance program involved that requires the certificate.

Q. And what certificate do they have?

A. They will get an A-3 certificate.

Q. Which is a local certificate?

A. Yes, A-3, a local certificate, with the addition or mention of the central station connection.

Q. I think you have testified on your direct examination by Mr. Conkling that you have approximately forty central station accounts, is that correct, sir?

A. I do believe that is the number, yes.

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[fol. 7377] Q. Now, with respect to the north section in which you provide central station service, will you describe the types of establishments located in this particular area of the city? Are there any large department stores?

A. That we have wired?

Mr. Conkling: That are located in the north section.

By Mr. Levy:

Q. That are located in this area.

A. You have to clarify me on that. The large department stores, the way I know them, are the big loop department stores that are in this loop area. I do not have any of them wired. In the city as an entirety, these central office accounts of ours I'd say would embrace almost every kind of an alarm or every kind of business establishment, but there will not be any ——

[fol. 7378] Q. You only have forty accounts, sir?

A. Yes.

Q. Now, just tell me the types of establishments which these forty accounts embrace.

A. Liquor stores, specialty shops, clothing stores, jewelry stores, sporting goods equipment, that would be about the size of it. There are no banks in those forty accounts.

Q. Have you ever attempted to secure as a central office subscriber a bank?

A. No. I have a number—any number of them in the suburban areas that are direct connect alarms.

Q. But why haven't you attempted to secure them here in the city?

A. I don't know if there has been a new bank installation in Chicago that has solicited a burglar alarm company to come in and do their work other than Diebold or Mosler.

Q. Does A.D.T. provide any service to the banks in the city?

A. I would say that they would provide the hold-up connection for any of them. But the people who install the vaults and build the vaults for the banks in this area, generally Diebold and Mosler, they sell them the whole [fol. 7379] package.

Q. Except the hold-up systems?

A. And they install the hold-up systems, too, and then perhaps A.D.T. takes them from there and transmits them to their office.

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[fol. 7380] Q. Could you reach that area with your central office service?

A. There would be no need to.

Q. But, could you, sir?

A. You can reach any of them if you want to pay the line toll, the phone line toll.

Q. Well, let me put it this way, then, is it practical to reach out that far from your central office?

A. No, it is not practical.

Q. And why would that be, sir?

A. Because of the line, the phone line rental.

Q. It would put you out of the market because of the cost which you would have to obtain for your service?

A. Well, you'd have to go back to the original arithmetic that the man can secure an A-3 local certificate and pick up, shall we say, a twenty per cent credit on his insurance. By coming in and adding the cost of that extensive phone line service he will pick up an additional ten per cent and the cost would not offset the differential in discounts.

Q. And would you say that it's only practical to render central station service within an X distance from the central office because of the costs involved in extending that service beyond that point, that theoretical point?

[fols. 7381-7383] A. That is one reason for rendering a central office service efficiently. And, the second is to be able to answer that call in a reasonable length of time.

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[fol. 7384] By Mr. Levy:

Q. Now, because of the line costs and the running time, is it a fact that a large percentage of central office sub-

scribers are located within a confined radius around that office?

A. Well, if I understand your query, yes. It is more practical and they can sell the central office account at a realistic figure closer to their office than they can out in its extremities.

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[fol. 7385] Q. Can you provide hold-up alarm service with a local alarm system?

A. Only in a locked-in area. I am trying to choose the word properly. When you specify a local alarm you are talking about a gong ringing outside the premises, and we avoid and will not set up a hold-up system whereby the storekeeper or the personnel are in the presence of the [fol. 7386] hold-up men. Therefore, we use our hold-up service only in a washroom where he might be locked in or a walk-in icebox where he might be herded into or down in a basement and from these different points where he is locked in, we do provide hold-up service for him.

Q. How many approximately do you have on a local basis?

A. Just about every one that we install we add a hold-up switch to their burglar alarm for them.

Q. And how many local alarm systems which provide hold-up service do you have? Twenty-three hundred?

A. Well, you can take the direct connect alarms and the others and just use that as a figure because it's basically on every one of our alarms that has a place that they could be locked into. There are very few of these shops that we have wired that don't have a closet or a bathroom.

Q. I am sorry. I don't understand you, Mr. Schwartz. You are saying that the majority of your local burglar alarm subscribers also have a hold-up system whereby they push a button or lift a foot-rail and they will actuate the alarm, is that correct?

A. That's right.

Q. And you are also saying that the majority of these [fol. 7387] local alarm subscribers have locked-in areas?

A. An area where they could be locked in.

Q. And they could actuate the alarm system from this area?

A. Yes.

Q. To notify someone that a robbery has occurred?

A. An armed robbery is occurring, yes, or has occurred. Does that seem unreasonable to you or——

Q. Is there some danger involved in actuating an alarm at the time that an armed robbery is occurring?

A. Well, that is why I qualified that statement by saying that we will not do it out in the open area of the store where the armed robbers are in the same room with the storekeeper. But, many—I think the history of hold-ups is such that they normally herd them into a washroom or lock them in a walk-in icebox and either—they have gone as far as taking and driving a nail in the door where the outside of the washroom door has no lock and actually lock the subscriber in the washroom, and they will pick up the cash registers and walk out with them or they can pick out merchandise at their leisure and carry it out to a car or a truck and nobody would be the wiser if a bell were not ringing. And by the nature of our circuitry, we keep [fol. 7388] our alarm on twenty-four hours a day. We can actuate the alarm from these different points without too much added expense and we do that. That is one of the gimmicks to the sales of this unit.

Q. Then, you state that most of the subscribers who utilize your local alarm systems do have these areas where they can be locked in and at least safe from the robber and can actuate——

A. Very few who do not have it. You can almost count on——

Q. Those people who have a washroom or a refrigerator in which they can be locked in?

A. And if they have got two or three of them, we will set them up in two or three spots for them.

Be sure to call me next time you open a store. Take advantage of this fine offer.

Q. I assume there is not too much danger that the burglar will open that door, or rather the robber, and shoot the people who actuate the alarm?

A. My answer to that is no, because if the bell goes off they are going to get out of there just as quickly as possible.

Q. Is it possible that he'd shoot somebody on the way out?

[fol. 7389] Mr. Conkling: I object to the form of the question.

By Mr. Levy:

Q. Or has this occurred?

A. No, it has never occurred. The answer is just as I stated before, that if you can set off an alarm they will leave the premises with——

Q. Without shooting anybody?

A. Without touching anything and it's happened so frequently that it's part of our installation.

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[fol. 7390] Q. I think you testified on your direct examination that in years past a number of companies have entered the local alarm business here in the city of Chicago, is that correct, sir?

A. Yes.

Q. Would you estimate approximately in the last five years how many companies have started into that business?

A. New companies?

Q. Yes.

A. In five years?

Q. Yes.

A. I, offhand, would say two or three that I can recall.

Q. And are some burglar alarm services provided by individuals working out of——

A. In basements and——

Q. Homes?

[fol. 7391] A. Yes.

Q. Do you run across those installations in competition?

A. Certainly. Frequently.

Q. Do some of those people make the grade?

A. Oh, yes.

* * * * * * *

[fol. 7392] Q. Can your company as presently established meet the needs of these potential subscribers?

A. In the local field, in the direct connect field. But, we have no central office connection and I think we should [fol. 7393] have it. It's about time we got into it.

Q. Have you been foreclosed from some segment of potential business because of this?

Mr. Conkling: Object to the form of the question, "foreclosed".

Mr. Levy. That's right.

Mr. Conkling: Well, go ahead, if you understand the question, Mr. Schwartz.

The Witness: You mean prevented or denied or——

By Mr. Levy:

Q. Not by any company, no, I don't mean that.

A. No. I mean by any——

Q. Yes.

A. Well, it's common—it's common knowledge in the industry that we will not, shall we say, break our necks to take work in the loop here because of the difficulty in servicing them. You fellows haven't driven into the loop on this occasion but to try and get a serviceman——

Q. Excuse me. Are we in the loop now?

A. Yes. To try and get a serviceman in and out of this district in a hurry is too hard.

Mr. Conkling: Excuse me. Is the loop sort of the center section of the city of Chicago?

[fols. 7394-7396] The Witness: Of the downtown area here, yes.

By Mr. Levy:

Q. In other words, the downtown business area?

A. Yes. As far as any other sections of the city, we are represented in almost any that you could point to.

Q. Well, how will your contemplated central office solve that problem?

A. It's not going to solve any problem, Levy. It's just going to allow us to take business that we normally could not get, that is being denied us by the insurance company requirements.

You know, the burglar alarm business has always been a fascinating business to me. I have been in it——

Q. I can see by your interest in it.

A. —for thirty-four years now and if I wasn't I'd be

out selling shoes or something or else I'd even attempt to be an attorney.

Q. Would it be correct to say, Mr. Schwartz, that your contemplated entry into the accredited central office field is also directed at obtaining fire alarm subscribers?

A. Yes.

* * * * * * *

[fols. 7397-7399] Q. I believe you testified on your direct examination by Mr. Conkling that those central office systems which you do have are connected into Kedzie-Kane's office?

A. Yes.

Q. When did you make arrangements with that company to tie in your central office subscribers?

A. Well, if my memory serves me well, I'd say about three or four years.

* * * * * * *

[fol. 7400] Q. Do you know whether A.D.T. permits any other companies to tie in customers to their central offices?

A. I don't know of any. If they are picking on me then I'd get mad. I think it's established in this town that we give A.D.T. as much trouble as anyone does.

* * * * * * *

[fols. 7401-7402] Q. Have you ever examined any of A.D.T.'s equipment?

A. Oh, frequently.

Q. On what occasions do you get to see their equipment?

A. Where a store is vacated and we are asked to come in and estimate it or look it over and numerous times their equipment is sitting there. We have taken it down and put it in a box to get it out of our way and we have admired it.

* * * * * * *

[fol. 7403] Q. I see. Have you ever attempted to purchase any equipment from A.D.T.?

A. No.

Q. I believe you testified on your direct examination that

you at one time purchased a foot-rail which you utilized on a hold-up alarm system from Potter and that you did not find it satisfactory?

[fols. 7404-7408] A. That's right.

Q. Does A.D.T. have a satisfactory foot-rail?

A. I am trying to recall the construction of their foot-rail and it's rather vague. But, when we had a need for a foot-rail we looked at A.D.T.'s and at Ademco's, Potter's, we elected to build one ourselves.

Q. Rather than utilize A.D.T.'s?

A. Rather than utilize any of the others.

Q. Is yours superior to A.D.T.'s?

A. I think it is. Don't wince like that.

Q. I'm not. You don't have to put that——

A. My impression of a foot-rail where there is a composite or a considerable number of them in a series of tellers' cages was that no one would ever take the responsibility for having instigated an alarm. And they all soon could find out how they operated and reset them. And I developed one that locks itself into place when its tripped.

Q. Does A.D.T.'s do that?

A. No, it doesn't.

Q. Do you know for sure?

A. Well now, you have got me. The ones I have seen did not lock themselves in.

* * * * * * *

[fol. 7409] By Mr. Levy:

Q. I believe, Mr. Schwartz, we were discussing referrals from your company of central station subscribers to the other central office companies. Now, have there been occasions in which these companies referred local alarm subscribers to you?

A. No, because they all engage in—in local alarm operations, too.

Q. I see. And you testified on your direct examination by Mr. Conkling that to your knowledge A.D.T. had not conducted price wars against your company, is that correct, sir?

A. Yes.

* * * * * * *

Q. Did you testify on your direct examination by Mr. Conkling that you had experienced competition from insurance companies?

[fol. 7410] A. In this respect, that they will often write an insurance program for a subscriber without requiring or allowing the customer to drop his burglar alarm service. We felt the impact of that just about, oh, three, four years ago. It seemed that certain companies were writing burglary insurance exclusively. Others were sort of specializing in liability insurance and fire in another group, and they developed what they called an all-risk policy for the storekeeper that encompassed all his liability and his fire and burglary. And, as a result, if they got all of the coverage they dropped a lot of their physical requirements as far as protection were concerned and we lost quite a few accounts that way and they are still writing them that way.

Q. You actually had subscribers discontinue your service at that time?

A. Oh, yes.

Q. Do you find that subscribers will subscribe to your service despite the fact that their insurance companies do not require them to have an alarm system?

A. Yes, we do.

Q. Is that a common happening?

A. Well, I'd have to say no, it is not common because the cost of doing business is the cost of these separate [fol. 7411] overheads and if they can avoid the cost of a burglar alarm system, they would.

Q. Is that true of most businesses, to your knowledge?

A. Well, I would be wrong if I said that that is true of most businesses because I couldn't truthfully say so, but it is. That is a frequent answer we get.

Q. At least from your subscribers or potential subscribers whom you contact.

A. Well, I would say the experience I have had is yes. And if it's true with me it's true with everyone else in the industry.

Q. Do you use as a selling point for your service that your alarm system can do things that insurance can't do.

A. Definitely.

Q. What can it do that insurance cannot do?

A. Well, an insurance company will reimburse a subscriber for a loss if he has an accurate inventory, where we feel that we can prevent a loss.

Q. Insurance can't prevent losses?

A. Insurance companies cannot prevent losses. The customer is made aware of the fact that if he's got a cash register in there that is four years old or five years old [fol. 7412] that serves him well and if he loses it in a burglary or loses a typewriter and they depreciate the thing from his invoice price and date, he is going to get a portion of what it will cost him to go out and replace it. And then he has got to produce good proof of loss records to be reimbursed for merchandise on the shelves.

Q. Can insurance protect against the disruptions in businesses caused by burglaries?

A. I would say that they do protect themselves against a business interruption. I know it's common in fire losses and I do believe they can secure the same protection in burglary losses.

Q. Do you use that as a selling point, though?

A. Yes. It's a selling point against us. A subscriber will point out that, well, he can protect himself against that loss of going out and securing merchandise again.

Q. Could you name the insurance companies that compete against you here in the city of Chicago?

A. Well, you can go down the line and you will find every one of them is represented in Chicago with very few exceptions.

Q. Do you consider them competitors?

[fol. 7413] A. Oh, definitely.

Q. Did you speak to Mr. Fritz with respect to the question of whether insurance competed with alarm systems?

A. It may have come up in the conversation.

Q. Do you think it came up in the conversation?

A. Well, it's a very pertinent point in our conversations frequently, so it undoubtedly was mentioned in that conversation.

Q. Is a substantial amount of your business predicated upon the fact that insurance companies require protective systems?

A. Oh, certainly. I was going to add that statement that for what they destroy they send to us. We get at least half

of our inquiries from customers who have been advised by the insurance company to secure an accredited system for themselves.

Q. Well, would you say they hurt you more than they helped you or vice versa?

A. Well, I'd say they helped us more than they harm us. But, yet they are competition.

Q. I think you testified on your direct examination, Mr. Schwartz, that the Suburban Patrol operates the central office in the city of Chicago?

[fols. 7414-7417] A. Yes, I believe that's right.

Q. What section of town, sir?

A. Generally up north and out west.

Q. Do they provide accredited central office services?

A. I couldn't attest to it. I'm not sure.

Q. Do you meet them frequently in competition?

A. I don't but my partner does.

* * * * * * *

[fol. 7418] Q. Do you receive many calls from them, national accounts?

A. Oh, yes.

Q. Name your national accounts, sir.

A. Well, I think Richman and Harvey Clothes and Kresge and those that I went through before.

Q. Kresge's is what type of operation?

A. It's a five and ten cent store, one of the largest. It is as big or bigger than Woolworth's, isn't it?

Q. I don't know.

A. We just recently got a——

Q. Is merchandise——

Mr. Conkling: Wait a minute.

By Mr. Levy:

Q. I'm sorry.

A. We just recently got an order from the Charles A. Stevens Company.

Q. What do they do, sir?

A. They are clothing.

Q. On a national scale?

A. I do believe they emanate from New York.

Q. What type of system are they using?

[fol. 7419] A. Well, the two that I know of are in the police districts so they would go directly into one of the control boards.

Q. I see. And how many proprietary systems have you installed within the last ten years, Mr. Schwartz?

A. By "proprietary," you mean self-contained within the premises, is that right?

Q. Self-contained central station within the premises, that's right.

A. The only two or three that I can name would be the Johns Manville Co. and the Congress-Pick Hotel has got one, that you were lodged in last night. The Admiral Corp.

Q. Is it yours?

A. Yes.

Q. The Pick Hotel?

A. Yes. And the famous Dorchester Club.

Q. Do you meet in competition with companies providing that type of service——

A. Yes.

Q. —frequently?

A. No. It isn't frequently because it only appears occasionally in our calling, but I know that A.D.T. was bidding on this Dorechester Club, Burns was bidding on the Dor-

[fol. 7420] chester Club. We took——

Q. But, how frequently——

Mr. Conkling: Wait.

The Witness: I don't know if you want me to continue.

Mr. Conkling: Yes. Go ahead, finish.

By Mr. Levy:

Q. Go on.

A. Well, the Admiral Corp. we took away from A.D.T.

Q. Did they call you in to bid or did you solicit an A.D.T. account?

A. No. They called us in. Everybody isn't happy with A.D.T., you know. Every once in a while they rub them the wrong way.

Q. Only you, Mr. Schwartz?

A. No. They rub me the wrong way once in a while. I hate to lose stops.

Q. Would you tell me on which occasion they have rubbed you the wrong way?

A. Well, just in bidding on a job. When you put your time into a job and you find out that the guy is going to end up with an A.D.T. system, you don't clap your hands.

Q. Do you know if they have ever lowered the installation charge or maintenance charge in bidding against your [fol. 7421] company?

A. Not knowingly or that they have been cutting my prices.

Q. You don't know about that?

A. No. They are one of the few that really uphold the price structure of the whole thing.

Q. Are your familiar with their price structure?

A. Frequently a customer is nice enough to tell me what he paid for an A.D.T. system and why he can't give it to me. I have probably got contracts of theirs in the office or old ones or figures from them. Like I have from everyone else in the industry.

Q. Does A.D.T. provide local alarm service under the name of Reliance here in Chicago?

A. Yes.

Q. And when you speak of A.D.T. you also speak of the Reliance Alarm Company?

A. Yes. I generally swing them in together in my mind, I do.

Q. Does the Reliance Alarm Company actively solicit local alarm accounts here in Chicago?

A. It looks like it. I see them around often enough.

Q. You see them how often?

[fol. 7422] A. You mean the alarm housings and stuff?

Q. Yes.

A. Well, I would say practically every day. The evidence that there are Reliance people on the street.

Q. And you bid against the Reliance Company seeking to obtain accounts?

A. When I get a chance to, yes. There are people that call me in and don't call anyone else. I imagine they get the same consideration at times.

Q. I think you testified on your direct examination by Mr. Conkling that a central office alarm is not effective against crash and run burglaries, is that correct, sir?

A. Well, that is my theory, yes.

Q. And I also believe you testified in answer to some of my questions that, generally speaking, there are not substantial losses in crash and run attacks, is that correct?

A. Yes.

Q. That a substantial loss occurs when a burglar has actually entered the premises and has spent time in obtaining——

A. Yes, without disturbing the burglar alarm. He's got time to collect what he wants.

[fol. 7423] Q. Do you install a local alarm system in remote areas, areas where there is not heavy traffic?

A. Oh, yes.

Q. Are they effective or do you consider them effective in those areas?

A. Well, our experience has been that if we can create enough noise around the premises they don't take a chance on staying there, which in effect gives the protection that we are looking for.

Q. Do you have more difficulty selling local alarms in those areas, though?

A. I would say no because the extremities like that make it impractical or too expensive to run direct lines into it so we do not get our share of them.

Q. Is that the main reason you feel you do get your share because of the expense——

A. Yes.

Q. —of running lines?

A. Yes.

Q. I think you testified, Mr. Schwartz, that over ten per cent of all your subscribers were former central office subscribers of A.D.T. and Central Watch Service, is that correct, sir?

A. It could easily be, yes, because of——

[fol. 7424] Q. And yet you testified——

A. —cost differential there.

Q. And yet you testified that approximately five subscribers a year which you obtained as local alarm subscribers were formerly central office subscribers. How do you reconcile those two figures.

A. Well, maybe the figures are inaccurate, but in essence, you take an operation like ours that has been going on for

forty years and say the average customer has been on our books seven or eight years even, that some place along the line this guy has used a central office service.

Q. And switched to a local?

A. And ends up with a local alarm, and if you can retain him you have got a ten per cent average.

Q. How many subscribers do you have now?

A. I think it's about 2400.

Q. And 240 of those are former central office subscribers?

A. Well, that is a conservative guess.

Q. And what were the reasons for their switching to local service?

A. Well, I can't be expected to remember all the reasons, but——

[fol. 7425] Q. The majority of the reasons.

A. I'd say it's the price differential between our service and that for central office alarm system.

Q. When business is bad do you find subscribers switching from central to local?

A. Yes.

Q. Is that one of the major reasons?

A. It's not one of the major reasons but if a man changes his operation and drops his inventory down to a point where neither he nor the insurance company think that it warrants the outlay of twenty-five dollars or thirty dollars a month, he will be allowed to go and secure a local alarm.

Q. You say that is not a major reason for changing, though?

A. You mean price?

Q. Yes.

A. Or you mean the cost of or the depression in business or——

Q. Yes. Depression in business, the lowering of the risk, you might say.

A. Well, that is what is nice about the burglar alarm business, Mr. Levy. When things get bad, the burglar alarm [fol. 7426] business gets better. Things are tougher on the street.

Q. Did you discuss that aspect of the burglar alarm business with Mr. Fritz?

A. I don't know if it did or not. I don't remember or recall it. But, that is one of the nice parts about the burglar alarm business. We call it a depression-proof business.

Q. Your testimony still is that approximately five central office subscribers will switch to your company's local alarm systems per year on an average?

Mr. Conkling: Now, that is about the fourth time you have asked this question. He just went over it.

Mr. Levy: That's right. I am asking——

Mr. Conkling: I object to it as being repetitive. Go ahead.

The Witness: That is roughly about accurate as closely as I can guess.

Mr. Conkling: He said that 240, which you estimated ten per cent of 2400, is a conservative estimate of the number that switched over in the last ten years.

Mr. Levy: He'd have to be in business for approximately fifty years to have that.

Mr. Conkling: He has been in business forty years.

By Mr. Levy:

Q. How long have you been in business?

[fol. 7427] A. Since 1921 and I have been with them since 1928.

Q. You are right. You are absolutely right. Five a year comes out just about.

A. Well, when I say five a year, I think I am pretty close.

Q. Well, that's right. I didn't realize. It slipped my mind that you had been in business for over forty years as a matter of fact. I apologize for any inconvenience.

A. It's not that serious, I hope.

Q. In bidding for an alarm system what is the maximum amount you have adjusted your installation and service charge because of competition, Mr. Schwartz?

A. Well, I have a very peculiar reputation for arriving at a figure on what we call our scratch sheet or our work sheet and that is it.

Q. You don't adjust your bids?

A. Rarely. It's one of my policies and I think I am an honest enough salesman, sincere enough that when I give a man a figure I want to go to work for him and I rarely chop the thing up for him. I have seen people try to delete an extra door button or hold-up switch that you were so interested in in the washroom, to cut down the cost of an installation or ask me to reduce it and if I would as much

[fol. 7428] as consider reducing it I will put the darn thing in anyway for my own protection for the reputation of the company.

Q. At the expiration of a contract, Mr. Schwartz, do you remove the foil and wiring on the subscriber's premises?

A. No.

Q. Why not, sir?

A. For one thing, it's a cost factor. Secondly, you can't go in and deface the customer's premises by pulling out a series of staples or milonit nails, pull back a piece of wire that you are going to throw out when you do get it out.

Q. When you say "it's a cost factor," do you mean that it's not worth the labor to remove it?

A. It's not usable. It's not re-usable. It's attached to the building. And, secondly, we are liable to get the next tenant in there.

Q. But, whether or not you are going to get the next tenant, does that determine whether you are going to remove it or not?

A. No, it doesn't. That is just a practice that has been going on in Chicago here where we take down our equipment and we will leave the conduit, the pipe in there. We [fol. 7429] get a good share of them back.

Q. Could other companies use your wiring and your tape?

A. Definitely.

Q. You mentioned on your direct examination by Mr. Conkling that you had banks in the suburban areas connected to police stations, is that correct, sir?

A. Yes.

Q. But that you had no banks in the city of Chicago.

A. Not connected. I am servicing one bank whose alarm was put in by some outfit in San Francisco and they just can't get service on it so they call us.

Q. Do you know what companies here in the city service the banks?

A. I couldn't say.

Q. You mentioned on your direct examination by Mr. Conkling that you had used A.D.T. screens and terminals in providing service.

A. Where they have abandoned them on the job just like we do, we go ahead and hook them up again.

Q. Do you know whether A.D.T. removes the foil and wiring at the expiration of a subscriber's contract?

A. They do not. They leave it in. I don't believe there is any company that I know of that goes in and scratches [fol. 7430] off the silver or pulls down the leads unless they are attached to a wall case and the customer pulls them out.

Q. You know this of your own experience?

A. Oh, yes.

* * * * * * *

[fol. 7431] Q. But, you say in your statement here to Mr. Fritz, and I refer again to Government's Exhibits B for identification and to page 2 thereof, that the Spiess Electric Company along with "many manufacturers of alarm equipment outside of the Chicago area where alarm equip-[fol. 7432] ment may be obtained." And, that "all of these companies form the wall of competition since they may also sell to our prospective customers".

A. Well, now, you are clarifying it. New Way is a competitor in the sense that they are out putting in burglar alarms.

Q. And Spiess?

A. Spiess I think I was accurate in saying manufactured alarms and thereby creates a competition by selling to either other burglar alarm companies or maybe to individuals. I know Fruh sells to individuals.

Q. But, do you know that Spiess does?

A. That I couldn't say.

Q. How many accounts have you lost to Arrow Alarms in the past year, to your knowledge?

A. Well, there has been about two or three out in the Chicago Heights area they have put in.

Q. Is that in the state of Illinois?

A. Yes.

Q. Where do they operate primarily when I speak of Arrow Alarms?

A. They are from Gary. They operate out in that area around Hammond, Lansing.

Q. Do you have a number of subscribers in that area?

[fols. 7433-7434] A. I have had quite a few in Lansing, a couple in Hammond, quite a few in Chicago Heights.

Q. And do you regularly meet Arrow Alarms in competition?

A. Not regularly but occasionally.

Q. I would like for you to list for me now, Mr. Schwartz, all the manufacturing concerns which service and install alarm systems in this area that you know of.

A. Well, the prime one that both manufactures and installs would be Fruh there. Whether Spiess installs burglar alarms I couldn't readily answer. Ademco does not. Outside of ourselves and A.D.T. maybe Central Watch manufactures their own stuff. I couldn't be sure. So, it makes about four or five of us that both manufacture and install burglar alarms.

* * * * * * *

[fol. 7435] By Mr. Levy:

Q. Now, I'd like for you to clarify this statement for me, Mr. Swartz, which appears on page 4 of Government Exhibit B in which you state that, "We feel that A.D.T.'s size has been beneficial to our industry and their volume enables it to maintain laboratories and staffs large enough to test and invent new devices which are also used or copied by their competitors. Now, would you list for me——

Mr. Conkling: Where is the end of the quote? Right there, "competitors"?

Mr. Levy: Yes.

Q. Would you list for me, Mr. Schwartz, the names of A.D.T.'s competitors which use their devices.

A. Well, I think I can say that almost all of us picked up the magnetic switch from A.D.T., what we call the manufactured door cord from A.D.T., the advances or improve-
[fol. 7435a] ments that they made on the ultrasonic unit.

Q. That A.D.T. did?

A. Yes. The manufacture of these dowel rod screens. We have all imitated A.D.T.'s foiling patterns for front doors that was giving us a headache. A.D.T. developed a reinforcement take-off for foiling windows that we have all duplicated and copied and used, and the different suppliers that solicit business from all of the burglar alarm companies are marketing those specific things that actually came out

of A.D.T.'s laboratories and appeared on their—in their installations that were an improvement over what we were using.

Q. You testified on your direct examination, Mr. Schwartz, that you sold your certified companies in Toledo, Detroit and Fort Wayne. To whom did you sell the companies to in these various cities?

A. Well, they were originally organized with the Certified parent company holding an interest in it with an operator in each of these locations. And in about 1954 or '55, maybe before that, they divested themselves of that portion that they owned, turned them over to the operators in each of the different districts.

[fol. 7435b] Q. Who purchased them?

A. The operators. Is that what you mean?

Q. Yes.

A. The operators who purchased them, yes.

Q. Now, with respect to your central office accounts, Mr. Schwartz, in all cases is the central office signaled in the event that the subscriber does not turn on his equipment at the end of the day?

A. Couldn't you ask me something about sales instead? That's a technical question. I would say that there is an indication if he does not turn on his timer or his control device upon leaving, but I couldn't be sure of it.

Q. Would you find out for me and put that in the record, please? And I'd also like the same information with your direct connection to police stations.

A. Well, on the direct connect police stations, I can give you that answer. Unless they operated their control lock upon leaving they are not connected to the police station.

(Pursuant to the above-mentioned agreement, the following information was provided by the deponent on the occasion of his reading and signing his deposition; See page 206-A)

[fol. 7435c] Supplement to deposition of ARTHUR A. SCHWARTZ

Civil Action No. 2758

UNITED STATES OF AMERICA,

vs.

GRINNELL CORPORATION

Our system is such that the alarm is actually on at all times unless there is break in the system. At closing the customer simply turns a timer control device which activates the switches on openings that are used during the day. As a result, if foil on a window is broken during the day a bell on the premises starts ringing immediately.

In the case of our central station, the central office is also notified immediately if there is a break in the system, whether it be while the business is opened or closed. In the case of the police station or direct connect alarms, the police portion is turned off during the day and if a break in wiring takes place the police are not notified.

With this information as a background we can answer your question as follows. In the case of a central station subscriber, if he is having trouble setting his alarm at closing the central office is immediately notified. If he simply forgets to turn his timer device to the night position, and hence does not cut in his doors, the central office is not notified.

In the case of a police station or direct connection, the police are not notified in either case, since the customer does not turn on the police station connection until he is certain the alarm is functioning properly.

[fol. 7435d] Q. So that is their responsibility?

A. Yes.

Q. And the police station doesn't remind them of it?

A. No. But, on the central office I will get you the information.

* * * * * * *

Redirect Examination

. . . . . .

[fol. 7435e] By Mr. Conkling:

Q. Sir, there was some discussion in response to some of Mr. Levy's questions about the products of A.D.T. and you, and Mr. Levy and you used the words "superior product". Do you recall that conversation?

A. Yes.

Q. Or that testimony?

A. Yes.

Q. Now, having those products in mind, whatever they [fol. 7435f] are, are there not and have there not been over the last ten years products on the market and available for use in the business which are equivalent to the A.D.T. products and which meet the minimum requirements of the Underwriters' Laboratories?

A. Oh, definitely, yes.

Q. Now, sir, I think you said a moment ago that in response to Mr. Levy's questions, that over the years you have frequently and so have other persons engaged in this industry copied A.D.T. products and made much use of ideas which originated in the A.D.T. laboratories, to your knowledge. Is that true?

A. Right.

Q. Is it fair to say, therefore, that you and others in this industry and in Chicago have not bought such equipment from A.D.T. but you have had the use of them and their ideas without charge?

A. That is true. It's accurate.

Q. Now, you mentioned in answer to Mr. Levy's questions a few moments ago the R. W. Fruh Company as being a manufacturer who also installs, correct?

A. That's correct.

Q. And services?

A. Correct.

[fols. 7435g-7436] Q. You mentioned also, I believe, Central Watch and you mentioned your own company?

A. Right.

Q. Now, in answer to my questions earlier I thought that

you mentioned Diebold and Mosler as providing installation and service to all the banks in the city.

A. Yes.

Q. You add them, therefore, to this list?

A. I add them because they do dominate the bank alarms.

Q. Protective?

A. Signal field, yes.

* * * * * * *

[fol. 7437] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT W18a

Civil Action No. 2785

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION, AMERICAN DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE COMPANY AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

The deposition of CLARENCE W. NOVAK, pursuant to notice and subpoena duces tecum, and to the Federal Rules of Civil Procedure, before David J. Gibbons, Commissioner, at Suite 2360, 135 South LaSalle Street, Chicago, Illinois, on Tuesday, September 12, 1961, at the hour of 9:00 o'clock a.m.

[fol. 7438] CLARENCE W. NOVAK, sworn by the Commissioner, deposeth and saith as follows:

Examination.

By Mr. Gibbons:

Q 1. State your name and address.

A. Clarence W. Novak; 10526 South Harding Avenue, Chicago 55, Illinois.

* * * * * * *

[fol. 7439] Q 2. Are you connected with any business venture engaged in furnishing protection against losses by fire, burglary or other hazards?

A. Yes, I am.

Q 3. If so, state the name and principal office of such business venture, which hereafter will be called your firm.

A. Chicago Mercantile Police Alarm Systems, 10526 South Harding, Chicago, Illinois. That is my home.

Q 4. State whether your firm is a corporation, partnership or other form of business venture?

A. Individually owned.

Q 5. State the position which you occupy in your firm [fol. 7440] and describe all of your duties in such position.

A. I am the sole owner. I operate the entire business, with the assistance of my son working for me.

Q 6. How long have you and your firm been in the protective business or protective service?

A. About twelve years.

Q 7. Does your firm provide protection against losses by:

a. Fire?

A. No.

Q. b. Burglary?

A. Yes.

* * * * * * *

Q 8. Describe the manner in which your firm provides protection, including a description of each type of protective service and each type of protective system fur- [fol. 7441] nished.

A. Local alarm systems. The local alarm system is a system which rings a bell when illegal entry is made to the premises.

Q 9. State whether your firm furnishes central station electric protective service.

A. No, we don't.

Q 10. State whether your firm furnishes direct-connected alarm service, that is, alarm services in which the subscriber's premises are connected by wire directly to local police or fire departments. If so, designate each hazard against which such service is provided.

A. We have two that are connected to the police stations, in the suburbs.

Q. Would you designate the hazard?

A. One is a currency exchange, and one is a gun shop.

Q. I believe by "hazard," they mean the items in Interrogatory 7 (indicating).

A. Burglary.

Q 11. State whether your firm furnishes local alarm service. If so, designate each hazard against which such service is provided.

[fol. 7442] A. Local and burglary only.

* * * * * * *

Q 14. State whether your firm furnishes proprietary alarm systems, that is, an integrated alarm system owned or operated by a customer or its employees. If so, designate each hazard against which such service is provided.

A. I believe that means ultrasonic. Yes, we have two local ultrasonic alarms.

Q 15. State: a. Whether your firm sells alarm systems.

A. No, we don't.

Q. 15 b. Whether your firm installs alarm systems.

[fol. 7443] A. Yes, we do.

Q. 15 c. Whether your firm services alarm systems.

A. Yes, we do.

Q. 15 d. Whether your firm contracts with customers to install alarm equipment and provide protective services.

A. Yes, we do.

Q. 15 e. Your firm's customary contract period and provide sample copies of each form of such contract.

A. Three years.

Q. And is the document you are handing me——

A. That is the contract.

Q. This is the contract?

A. Yes, that is the contract.

Mr. Gibbon: Let the record show that this contract has been marked as Defendant A.D.T. Exhibit 5.

(Whereupon said document was marked Defendant A.D.T. Exhibit 5 for identification.)

By Mr. Gibbons

Q. 15 f. Whether title to equipment and devices installed [fol. 7444] on subscriber's premises is retained by your firm?

A. Yes, they are.

Q. 15 g. Whether upon termination of a contract for protective services, your firm removes from the subscriber's premises the installed equipment.

A. If we can get it, yes.

Q 15 h. Whether your contracts for protective service provide for automatic renewal upon expiration of the original term.

A. Yes, they do.

• • • • • • •

[fol. 7445] Q 19. If your firm contracts with customers to provide alarm service, state for each of the past five years and for each type of protective service.

a. The approximate gross revenue derived by your firm from such service contracts.

A. Approximately $12,000 a year gross.

Q 19 b. The approximate number of your firm's customers?

A. At the present time?

Q. That would suffice.

A. At the present time it is 245.

Q 19 c. The basic rates charged by your firm.

A. They vary from $4 to $6 a month.

Q 19 d. The method of computing your firm's basic service charges.

A. The number of openings and the type of business.

Q 19 e. The approximate net amount of capital invested in your firm's business.

[fol. 7446] A. I would say about $15,000.

Q 20. If your firm contracts with customers to provide alarm service, state whether your firm makes an initial or installation charge for equipment installed on customer's premises. If so, state the method by which such charge is computed and the time when it is paid by the customer.

A. Yes, we do. It is figured more by the number of openings and the type of work to be done, and is paid for on completion of the installation.

Q 21. If your firm contracts with customers to provide alarm service, describe the geographic area in which the firm's customer are located.

A. The South Side of Chicago and south suburbs.

Q 22. State which, if any, of your firm's alarm systems or services are accredited, approved or certified for the purposes of insurance premium discounts by insurance or underwriting organizations.

A. We have about one hundred of them that are listed with Underwriters' Laboratories. That means that they are approved by Underwriters' Laboratories in that sense, but they do not allow us to use the word, and they send

us notices on this not to use the word "approved" in [fol. 7447] our advertising, and that we should use the word "listed."

Q 23. State the approximate number of your firm's customers, if any, who receive protective service of a kind which would qualify for insurance premium discounts.

A. Those one hundred.

Q 24. State all services, systems, devices and means which compete with your firm in furnishing protection against loss by fire, burglary and other hazards.

A. Any companies that furnish local alarm service. Do they want the names of the company or the number of companies?

Q. In so far as you are able.

A. There are approximately sixteen companies in Chicago that furnish the same type of service that I do.

Q 25. State whether the following compete with the type or types of protection furnished by your firm:

a. Central station electric protection service accredited by insurance inspection and rating organization.

A. No.

[fol. 7448] Q 25. b. Central station electric protection service not accredited by insurance inspection and rating organizations.

A. No.

* * * * * * *

[fol. 7449] Q 26. State the names and addresses of your firm's competitors and specify the services, systems, devices or means of protection furnished by each such competitor.

A. Do you have a Red Book here? They are all listed in the Red Book. There are about sixteen companies, as I say, in Chicago.

Q. Well, as best you can name those you know, and the service, system and device that they furnish.

A. A. F. P. Company.
A. W. Fruh & Company.
Certified Burglar Alarm Company.
Cooperative Burglar Alarm Company.
Eveready Burglar Alarm Company.
Nu-Way Burglar Alarm Company.

Victor Burglar Alarm Company.
S.D.A. Burglar Alarm Company.

Actually, that is S.D.A. Signal Alarm Device, is what it would be.

Sentry Burglar Alarm Company.
Standard Burglar Alarm Company.
[fol. 7450] Central Burglar Alarm Watch Service has a local alarm.

Q. While you are attempting to recall others, Mr. Novak, maybe you could complete the answer by specifying the services, systems and devices furnished by those people you have listed.

A. Just local alarms is all the service that I gave, and each one of these give the same service.

Q. Can you recall any others now?

A. There are others, which I can't recall offhand.

* * * * * * *

[fol. 7451] Q. 32. State, as to each of the past five years, whether or not your firm's protective business has yielded a profit.

A. Yes, it has.

Q 33. State:

a. Whether your firm maintains any standard price lists or schedules; if so, attach copies thereof.

A. No, we don't.

Q 33 b. Whether your firm charges all subscribers to the same type of service at a uniform rate.

A. No.

Q. 33 c. If your charges vary between customers, the nature of and reason for such variations.

[fol. 7452] A. Different types of business require more service. As an example, a grocery store, where the windows sweat up a lot, requires a lot more service. Cleaning stores, where the windows sweat up, require a lot more service. Therefore we charge more on those type of accounts.

Q 33 d. State whether the variation in such charges are based on the nature of the subscriber's premises, the length of the service contract and the distance of the subscriber's premises from your firm's place of business. If other factors enter into such variations, state each such factor.

A. The types of their premises and also the distance travelled has some variance.

* * * * * * *

Q 35. State the principal suppliers of protection equip-
[fol. 7453] ment, if any, purchased by your firm and state whether the equipment required in your firm's protection business is readily obtainable.

A. Yes. A. W. Fruh & Company and we can get the equipment at any time we need it here in Chicago.

* * * * * * *

[fol. 7454]X Q 3. If your company provides local burglar alarm service, submit the following information for each year from 1955 to 1960:

a. The approximate number of subscribers to local burglar alarm service.

A. At present we have about 245 accounts. We have increased approximately 18 accounts a year since 1955.

X Q 3 b. The names and business addresses of subscribers to the local burglar alarm service provided by your company who discontinued this service and subscribed to central station burglar alarm service provided by your company or any other company.

A. Polk Bros., 3110 West 63rd Street. That is the only
[fol. 7455] one in the last five years.

X Q 3 c. The names and business addresses of subscribers who discontinued central station burglar alarm service provided by your company or any other company and subscribed to the local burglar alarm service provided by your company?

A. I don't recall ever having any.

* * * * * * *

[fol. 7455a] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT 19A

3422-17
(11-7)

U.S.A.

vs.

GRINNELL CORP. ET AL, JAMES H. COFFEY, (CIRCLE ALARM CORPORATION) INDIANAPOLIS, IND.

MINUTES OF DEPOSITION

[fol. 7455b] 1 Q. May I have your name?
A. James H. Coffey.
2 Q. How do you spell your last name?
A. C-o-f-f-e-y.
3 Q. Are you connected with a firm in the City of Indianapolis that is engaged in the electric protective business?
A. Purely alarm business, yes.
4 Q. What is the name of that firm?
A. Circle Alarm Corporation.
5 Q. That is a corporation existing under the laws of the State of Indiana?
A. It is.
6 Q. Where is its principal place of business?
A. 1500 Madison Avenue Expressway.
7 Q. This City?
A. This City.
[fol. 7455c] 8 Q. Just for the record, may I have your residence address?
A. Yes, 3925 Moller Road, Indianapolis, M-o-l-l-e-r.
9 Q. What is your position with the Circle Alarm Corporation?
A. I am General Manager and President of the Corporation.
10 Q. Do you have an interest in that Corporation?
A. I do.
11 Q. How long has the Corporation been in existence?
A. Since April 12th, 1961.

12 Q. Did that Corporation take over the business of any existing company that was engaged in the electric protective business?

A. A proprietorship.

13 Q. What was the name of the proprietorship?

A. It was called Circle Alarm System.

14 Q. It also operated in this City?

A. It did.

15 Q. Did you have an interest in that proprietorship?

A. I was the sole proprietor.

16 Q. What was the business of that sole proprietorship and what was it engaged in doing?

A. Purely alarm protection.

17 Q. What type, what I mean by that is, was it local burglar alarm or central station direct connected service? [fol. 7455d] A. The first of January of this year it was a central station.

18 Q. Just to be sure we are using the same terms, by central station do you mean a type of operation where an intrusion is made on a protective premise a silent signal is sent to a central station by means of leased telephone line which creates a signal of its occurrence and is responded by means of armed guard to the premise or signal to the local Police Department.

A. I am afraid that will be a difficult question to answer, it does not apply. We do not have a silent signal, we transmit an audio signal.

19 Q. I am talking about previous to the incorporation of the sole proprietorship?

A. That is also true.

20 Q. Perhaps you would describe it to me, which was used by the sole proprietorship and the method of the present system used today by the corporation?

A. Of course the same system is used by the corporation as was used by the proprietorship which began January 2nd, 1961. That is what we classify as transistor amplification in which we pick up the sounds in a location and we transmit it over a telephone line to a central monitoring station.

21 Q. Will you tell what happens at the central monitoring [fol. 7455e] station when a sound signal is received from a subscriber's premises?

A. We check to see what the sound is.

22 Q. By what means do you check to see what the sound is?

A. By listening.

23 Q. After you have made a determination of what you believe the sound to be what action is taken?

A. It depends on what the sound is.

24 Q. Suppose you detect a forceable entry?

A. We immediately dispatch the Indianapolis Police Department.

25 Q. Do you dispatch personnel of your own to the premises?

A. We have, not normally.

26 Q. Suppose you determine the sound to be emanating from a silent intrusion from the premises what action would you take?

A. Then we would take no action.

27 Q. Who are the persons that do the interpretating of these sounds that are received?

A. Well, monitoring personnel.

28 Q. How many of them are there?

A. I feel that is a question I should not reveal, it is secret to our organization. It would permit your organization to know the size of our organization and what you can do with [fol. 7455f] it. I feel that is information I shouldn't reveal.

29 Q. Have these people received any particular training in being able to distinguish the various type of sounds that might be heard through your equipment?

A. We have.

30 Q. Would you describe that training to us?

A. I have trained them myself.

31 Q. How long have you personally been engaged in the field of rendering electric protective service?

A. We have been on an experimental basis for three years, approximately three years?

32 Q. I was speaking of you personally?

A. This is me personally.

33 Q. For three years?

A. Yes, don't get mixed up, it is monitoring service that length of time.

34 Q. Do you have experience going back three years in rendering and furnishing electric protective service of other types?

A. Yes.

35 Q. Would you describe those other types to us?

A. When you say other types you make it a little confusing too because actually it is the same type, except in [fol. 7455g] monitoring from a central monitoring station it might be monitored at the person's home that owns the business.

36 Q. By the same method, using leased telephone lines?

A. Yes.

37 Q. In which case the personnel of your firm, or corporation, would not participate in the surveillance of the premises?

A. That is correct.

38 Q. It would be dependent solely upon the subscriber, or other person whom he might have in his place of residence, to maintain surveillance of the premises by means of a signal?

A. That is right, except he is in contact with the Police Department, also he immediately calls for help from the Police Department.

39 Q. By his own private telephone?

A. That's right.

40 Q. Did you say the Circle Alarm Corporation has a direct phone to the police?

A. We have direct phone cables.

41 Q. Do you know whether any other alarm company in this City have such facilities?

A. I haven't the slightest idea and if you will forgive me, I don't care.

42 Q. Approximately when, Mr. Coffey, did your corporation begin rendering central monitoring service?

[fol. 7455h] A. Well, the corporation started rendering monitoring service the day it was incorporated.

43 Q. When did the sole proprietorship, which preceded that corporation, when did they begin to render central monitoring service?

A. I believe I have already answered the question but I will answer it again, January 2nd, 1961.

44 Q. The service you have described is that the only type of service that is presently rendered by the corporation?

A. Gentlemen,

45 Q. (Interposing) As far as electrical protective service is concerned?

A. This is not a question I object to answering, it is a

question I am afraid is rather confusing and if you would like to have me explain I would be glad to.

46 Q. Yes, would you please?

A. Because in addition to the burglar alarm protective service we offer, since it is a sound system, we are able to place certain devices in buildings that will give them somewhat protection on fire. For instance, if this device becomes over-heated to the extent of 130 degrees it sets off a buzzer, which is also transmitted over our system to our monitoring [fol. 7455i] headquarters. If you would like to have it made distinctly understood, we do not attempt to sell our system as a fire protection system.

47 Q. This is just an added convenience, so to speak?

A. It is.

48 Q. It is a fixed temperature device?

A. That is correct.

49 Q. Are the sensitive devices monitored within the alarm unit to your place on the subscriber's premises or are they installed at various places?

A. At various places.

50 Q. Aside from this fixed temperature sensing device are there other types of electric protective service your corporation presently furnishes?

A. Do you mean other than fire protection and burglar protection?

51 Q. It may have the same effect as fire and burglar protection but perhaps by another means or device?

A. No.

52 Q. Let me give you some examples perhaps, do you do window stripping?

A. Heavens no.

53 Q. Or screening?

[fol. 7455j] A. No.

54 Q. Do you employ photo electric systems?

A. No, we do not.

55 Q. Would you explain to us the manner in which you furnish equipment for a subscriber's premises, by that I mean, is it done on an outright sale basis or do you retain title to it?

A. Lets say that is a policy we recently started is retaining title, before that we actually sold the equipment.

56 Q. The person who bought the equipment was the person whose premise was to be protected?

A. Yes.

57 Q. And he paid you the full price for the unit where it was installed on his premises?

A. Yes.

58 Q. In addition to that, I am still talking about outright sales, did he pay a monthly service of some type?

A. Yes—not in rendering service but a monitoring service.

59 Q. Did the cost of the monitoring service come in line with the rendering of service costs?

A. It did.

60 Q. That you have to pay the telephone company?

A. It did.

[fol. 7455k] 61 Q. The rendering of service costs includes what, operating costs, plus profit and overhead?

A. With certain exceptions, we have Uncle Sam that likes to come in for some money.

62 Q. I understand there is a tax on this service?

A. Yes.

63 Q. In any event, was my statement generally correct, based on the monthly charges that were made?

A. That's right.

64 Q. Do you, I am still talking about as far as outright sales were concerned, enter into service agreements or contracts with the various persons who purchase such equipment?

A. We did.

65 Q. What is the length of those service agreements generally?

A. Normally a year.

66 Q. Were they renewable ordinarily?

A. They were.

67 Q. What, in general, did those service agreements provide for?

A. I will furnish you a copy of them.

68 Q. Fine.

(Mr. Williams, for purposes of identification, handed the reporter a document for marking, which document was marked Defendants Exhibit 1)

[fol. 7455l] A. This first one is for home monitoring service.

69 Q. Lets take them one at a time, when you say home monitoring service,

A. (Interposing) That is where they monitor their own business.

70 Q. At the place of residence of the owner of the premises, there is no connection to any central station, as far as the corporation is concerned?

A. I can think of one exception to that. There is one exception where one of my accounts monitors his home and I also monitor at my headquarters too.

71 Q. In general that is not done?

A. In general it is not so.

72 Q. Aside from this type of contract, Mr. Coffey, what others do you have?

A. We have the central station monitoring contract.

(Mr. Williams, for purposes of identification, handed the reporter a document for marking, which document was marked Defendants Exhibit 2)

73 Q. On the central station monitoring contract is there an outright sale of the detection unit to the subscriber?

A. Not at this time.

74 Q. Suppose you explain to us what it is your salesmen do when you receive a request for an estimate on protecting a particular premise, do you make a survey of the premise? [fol. 7455m] A. Yes.

75 Q. What does the survey generally entail looking for?

A. The amount of area, how the building is constructed, the type of protection in the building, what other noise levels we might have that will interfere with our system, such as, a building with people living upstairs of an apartment, such as, a building joining that would give us difficulty, first of all, whether we can do the job or not because we don't take all jobs we look at even though we can get them.

76 Q. Is the reason for that because some types of construction together with locations of buildings may be unsuitable to sound detection devices?

A. That is true.

77 Q. After making a survey of the premises, is it based on that survey that you arrive at a price you are going to charge that particular customer?

A. Are you speaking of installation cost or monitoring?

78 Q. First, installation cost?

A. Well, naturally,

79 Q. (Interposing) Does the installation cost fairly equal the survey you made of the particular premise?

A. Yes.

[fol. 7455n] 80 Q. It will vary from job to job and type of building to type of building?

A. Yes.

81 Q. Is the installation cost ultimately set by your considered judgment of all the factors that are involved in protecting a particular premise?

A. It is.

82 Q. Is that installation cost required by your corporation to be paid on the completion of the installation?

A. Not in all cases, no.

83 Q. By that do you mean in some instances you have spread the installation cost?

A. That is correct.

84 Q. What is the maximum period of time you have spread the installation cost?

A. I can think of no case more than ninety days.

85 Q. Leaving the installation charge, or cost, and coming into the service monitoring, what you call the monitoring charge, is that correct?

A. Yes.

86 Q. How do you figure the monitoring charge?

A. We don't, we just have one.

87 Q. It does not go from premise to premise?

[fol. 7455o] A. I think through fairness I should explain that. It was not meant as a smart remark because I know something of your own operations, I know your monitoring charges are not the same for all locations, you have various costs, and I can readily see those reasons. For my type of system, the system costs me no more to monitor a place with fifteen transistors on it than one. So we have one cost, with this exception, we do manage in a case where we have to monitor a business at three different locations —do you follow?

88 Q. Yes, I do.

A. In such a case my monitoring service is still the same price for each location.

89 Q. Doesn't your monitoring charge depend on line rental costs?

A. Well, no, I wouldn't say it like that because our moni-

toring charge is the same, our monitoring is so much, plus line costs, plus Federal service tax.

90 Q. Let me make an assumption, which may not be true, suppose your central monitoring station is located at the Monument in Indianapolis and you had a monitored premise at the further most point on the county line, say, from that monitoring station, wouldn't the line rental charges be more at that point than two or three blocks away?

A. Yes, they would.

[fol. 7455p] 91 Q. When you say your monitoring charge would be substantially level throughout it was a matter of what the charges are?

A. Our monitoring charges are the same but the line cost is plus our monitoring charge.

92 Q. So the subscriber each month would be billed for the monitoring charge and in addition would he be billed for the line costs?

A. I am not sure I can answer that, I don't believe he is billed and I should like to explain that the way we explain it to a customer. At the time our monitoring service, he is given a figure and the telephone line costs, in one case it may be $12.00 a month, in the next case it might be $5.00, and the next case it might be $19.00 and in some as high as $49.00, but when he is billed he is normally billed for the total.

93 Q. Without a break-down?

A. Yes, without a break-down. I think in some cases we have billed a break-down especially when we found out we had a tax to pay that we had not told the customer about, we had to justify the $1.66 additional charge.

94 Q. You have made it perfectly clear to me, thank you. Again talking about your central monitoring service, I believe you stated earlier that upon receipt of what you explained I believe, to be a forceable entry type of noise, [fol. 7455q] or signal, you have a direct line to the Indianapolis Police Department and you phone them, is that correct?

A. That is correct.

95 Q. I believe you also stated your organization does not respond to the protective premises on the receipt of such a signal?

A. I said had on occasion, perhaps not even fifty percent of the cases.

96 Q. What is the policy of your firm in responding and having your own employees respond to such a signal?

A. Normally if we have the personnel available and there is times when the Indianapolis Police Department doesn't have cars available, it has happened on a couple of occasions, they might even call me at my home and I will make the run myself any time of the night.

97 Q. But it is not normally done?

A. That is not normally done.

98 Q. Does your company hold the keys to subscribers premises that you protect?

A. Only in one case because we do not want keys to customers premises.

99 Q. As a matter of normal business practice you don't engage in that type of operation?

[fol. 7455r] A. No.

100 Q. Has the central monitoring service that you render been approved by any insurance inspection or rating organizations?

A. I wish you would re-state what you mean.

(Former question No. 100 was read to the witness by the reporter.

A. By inspection yes, but not by rating organizations.

101 Q. By what inspection organization?

A. Individual insurance companies. We are highly recommended by insurance people that know us.

102 Q. When you say you are highly recommended have you received an official rating of any kind from any of those insurance companies?

A. May I ask—are you referring to credits, insurance credits?

103 Q. Your firm of course does not receive insurance credits, only subscribers do, but does the service rendered by your firm entitle your subscribers to receive insurance credits?

A. For my money—I am not trying to be funny, but you place a question and tell me at the same time.

[fol. 7455s] 104 Q. Let me rephrase the question. Does the service, central monitoring service, your firm renders en-

title any of your subscribers to receive insurance premium discounts from insurance companies?

A. Let me state, normally, no.

105 Q. Lets talk about abnormally?

A. Well, you may be aware of a fact that insurance people belong to an organization, which is, Underwriters Casualty of New York, where your service is approved for a credit rebate and, as I understand it, the insurance people that belong to that organization will not give credits unless your equipment and your service is approved, but there are certain insurance companies throughout, companies that do not belong to that Association so they can give credits if they so choose.

106 Q. Has any representative of the Indiana Rating Bureau inspected the service you render and the equipment you use?

A. Not that I know of sir.

107 Q. Have you sought system approval from Underwriters Laboratories?

A. We are in the process, yes.

108 Q. Do you consider that to be an important commercial factor in the conduct of your business?

[fol. 7455t] A. No sir, I do not.

109 Q. Why are you seeking Underwriters' approval for your system?

A. For the same reason you have got it, to talk about.

110 Q. What is the purpose of being able to talk about it sir?

A. You are asking for a very lengthy answer, I don't think you are going to like it.

111 Q. Suppose you give it to me anyway?

A. All right. As I understand it, less than 159 installations made by the people who have such approval is not certified locations and without certified locations insurance people isn't interested a snap of your finger because it is not entitled to rebates. There is a considerable misunderstanding throughout the entire industry, even by the people that are closely associated, I mean, such insurance people that assume that because your equipment is certified that that customer is entitled to a credit, an insurance credit. That is not true, that is not true.

112 Q. Let me interrupt just a moment. We were talking about system approval, not equipment approval?

A. But sir, there is both.

113 Q. We were talking about system approval?

A. All right, the question is confined to system approval. All right, did I answer sir, is there something further you [fol. 7455u] want to know.

114 Q. I think you were talking about something else. Let me put an example to you, we are talking about approval of service rendered by your central station, correct me if I am wrong, it would go far beyond a mere inspection of the equipment that was used?

A. That's right.

115 Q. It would also include at least response time to an alarm?

A. That is correct.

116 Q. And the actual physical capability of the central station in responding to an alarm?

A. That is correct.

117 Q. And coverage of line supervision?

A. I believe that is correct.

118 Q. So there is much more to it than the mechanical layout, certain environments would have an effect on system approval?

A. That is correct but it applies to everybodys system too.

119 Q. Would you describe to us sir the steps that your corporation is taking to attempt to obtain Underwriters' Laboratories certification?

A. I contacted Underwriters' Laboratories on various occasions and we have received manuals of requirement specifications that the equipment has to reach before it can [fol. 7455v] be considered by Underwriters' Laboratories and certain corrective measures are being taken at this time to comply with those specifications.

120 Q. Do you find this to be an expensive proposition?

A. It is. Of course everything is relative, it depends on who is looking at it.

121 Q. Have any representatives of Underwriters' Laboratories yet inspected your operation?

A. They have not. We are not seeking Underwriter ap-

proval of our central monitoring station, we are seeking only approval of our equipment.

122 Q. As of today's date am I correct in stating you furnish no certificated service of any kind?

A. You are correct.

123 Q. How many employees does your corporation have sir?

A. I believe we just got through going over that a little bit ago, didn't we?

124 Q. I don't believe we got an answer either?

A. That's right.

125 Q. Without telling me the numbers and without passing that question, could you tell me what categories of work they do, without telling me numbers of people involved?

[fol. 7455w] A. Yes, I don't mind telling you that sir. We have sales representatives, we have management, we have installers and normally our installers are also our maintenance men, and we have monitoring service personnel.

126 Q. Would you describe for us the geographic area in which you render central monitoring service?

A. I would say within Marion County.

127 Q. Your firm has the capability to render that service at any point within Marion County, is that right?

A. Well, I would say yes.

128 Q. Do you render any service outside Marion County?

A. Not a monitoring service.

129 Q. I assume also you don't render any such service outside the State of Indiana?

A. Well, that's right, you are assuming correctly.

130 Q. You said a moment ago you don't render monitor service outside Marion County, do you render other types of electric protective service outside Marion County?

A. Yes, we do.

131 Q. What type of service is that?

A. It is the same equipment wtih the exception it runs to a Police Department where the Police Department monitors the equipment.

[fol. 7455x] 132 Q. Is that what is known as direct connective service, direct from the protective premise to the local Police Department?

A. That would be correct.

* * * * * * *

[fol. 7455y] 139 Q. The type of equipment you use in rendering this outlying direct connected service, is it the same type of equipment you use in rendering central monitoring service in Indianapolis?

A. It is.

140 Q. Does your firm manufacture its own detection and transmission equipment and receiving equipment?

A. There is a matter of definition there, you know that, don't you? We buy the components and we assemble.

141 Q. Do you buy your components from a standard source of suppliers of electronics parts?

A. Standard source.

142 Q. Are they standard items?

A. Not in all cases. I hope you will stay away from that.

143 Q. I don't know that I will but suppose we try it out and see. Is there any part of your system on which your corporation or somebody connected with your corporation holds a patent?

A. Not at this time.

144 Q. Is a patent application in progress for any such part?

[fol. 7455z] A. Yes.

145 Q. Are there any parts of your system that are not readily obtainable from a standard line of electronics suppliers?

A. There is.

146 Q. Are they obtainable from other sources of supply in this county?

A. I would guess they would be.

147 Q. What are those sources of supply, not identifying them, but the type company from which you would purchase these specific unstandard items?

A. A manufacturer.

148 Q. A manufacturer of what?

A. That component in question.

149 Q. Is that an electronic component?

A. It is.

150 Q. What is the name of it?

A. I am sorry fellow but I feel, again, you are getting into some of the inter operations of my company that could be used against me to my detriment. I don't feel it is fair in your asking me any special component of my equipment.

151 Q. Are those components available to anybody in this county who choose to buy it?

A. If they knew what to buy.

[fol. 7455aa] 152 Q. Is it a standard item?

A. It is not.

153 Q. Is it made to your specifications?

A. It is.

* * * * * * *

[fol. 7455bb] 173 Q. Have you had any difficulty in obtaining components and devices that were necessary to the services you render?

A. None whatsoever.

174 Q. Up until the present time have any of your corporation subscribers discontinued their service?

A. No siree.

175 Q. Should such an eventuality arise what action would your corporation take with regard to the detection and transmission equipment that was located on the premises?

[fol. 7455cc] A. In case that would arise?

176 Q. Yes.

A. Well, we would certainly remove the equipment if it was under the circumstances where it was leased equipment. If it was equipment sold it would be equipment belonging to the customer, so it would be left with him. That is my candid opinion at this time. We don't lose customers, so I don't know.

177 Q. Without going again to anything specific in dollar amounts, does your installation charge generally equal the cost of equipment, plus the labor that is necessary to install it?

A. Lets say, we hope that it does.

178 Q. Is that what you try to,

A. (Interposing) That is what we try to do.

* * * * * * *

[fol. 7455dd] 181 Q. What would be the maximum number of microphones in a particular premise that you could connect to one amplifier?

A. I would say normally four.

182 Q. So normally if you had to install microphones in

excess you would have to have the appropriate number of amplifiers to connect them to?

A. Yes.

183 Q. And all amplifiers would be connected to a central telephone line?

A. Yes.

184 Q. And the line connected to your central monitoring station?

A. Yes.

185 Q. At your central monitoring station is there any individual speaker for each of the premises that are protected?

A. No.

186 Q. How does the operator maintain surveillance of the protective premises?

A. Again, I am sorry, I am very sorry you ask questions that we consider a secret of our own operations. We have never attempted to go over to your headquarters and look at your equipment to see what you are doing. We would hope a competitor wouldn't ask such questions of us.

[fol. 7455ee] 187 Q. Again, without going into numbers, since you have started rendering central monitoring service has the number of your customers increased or decreased?

A. They can only go up, not down.

188 Q. Have they gone up?

A. Oh, yes.

189 Q. Substantially?

A. Oh, yes.

190 Q. Over what period of time was that?

A. Since January 2nd of this year.

191 Q. That is when you began to render central monitoring service?

A. That's right.

192 Q. What would you estimate the percent of increase of number of customers to be?

A. I don't know how you name it in figures because twice nothing equals nothing. If I didn't have any last year and had two this year how much increase is that sir?

193 Q. I am not that much of a mathematician. Since you have started rendering central monitoring service is it your opinion there are any firms in this City that are in competition with you?

A. Oh and how.

[fol. 7455ff] 194 Q. Would you name them please?

A. I think they all are, I don't know if I could name them all.

195 Q. Name the ones you know the names of?

A. Well, of course, ADT and American Alarm, those are actually the only two we pay very much attention to. I hope I don't step on somebody's toes.

196 Q. Have you ever heard of a firm called Ace Alarm Company?

A. Yes.

197 Q. Do you feel that firm is a competitor of yours?

A. Yes, I think they would be, although as far as I know we have not encountered them.

198 Q. Have you encountered American Alarm and ADT?

A. Yes.

199 Q. When you say encountered them, what do you mean by that?

A. I mean we find them bidding on the same jobs we are bidding on.

200 Q. Do you feel your firm furnishes services that are comparable to the type of service, classification of service, furnished by the other two firms?

A. No, I think we furnish a service so superior you are not even in the running.

201 Q. Is your firm engaged in the business of protecting property by means of electrical signals?

[fol. 7455gg] A. I thought we had gone through that.

202 Q. Are those other two firms also engaged in that type of business?

A. As far as I know, yes.

203 Q. There is just a difference in the type of equipment you employ, is that correct?

A. I would rather say method.

204 Q. What do you mean by method?

A. For instance, your own people you are representing here protect, or attempt to protect, property by placing tape on windows and doors, perhaps traps on the front door, perhaps lights, shall we call it circuit breaking systems, and a burglar has to make entry through the trapped portion or you are not going to know anything about it. Our system, our system is the sound system and it don't make any difference how they attempt to get in, there is no difference be-

tween entry through the roof, side walls, or whatever they try, the sound is the same. Does that answer your question sir?

205 Q. Lets go back to the question of obtaining business in Marion County. You say you have been in competition in bidding for jobs with both American Alarm Company and ADT?

[fol. 7455hh] A. Did I say that?

206 Q. Yes sir.

A. I may not have meant to say it exactly like that. I said competition in the field, I honestly and truly don't remember, there could be cases, I don't remember any time when I have actually bid against—yes, I will take that back, I will answer the question affirmatively. Yes, I can remember cases where American Alarm has been in on the bidding.

207 Q. What about ADT?

A. Yes.

208 Q. Do you remember any specific instance?

A. Yes, I can remember a specific instance of three Firestone Stores in town, which is a chain, I believe a National chain organization.

209 Q. When did that happen?

A. Lets says recently, last month.

210 Q. Were those previously protected by any electrical protection company?

A. I believe not.

211 Q. Did you solicit or receive an inquiry from the management of those stores regarding electrical protection?

A. We did.

[fol. 7455ii] 212 Q. Do you know whether ADT received such an inquiry?

A. I am advised they did.

213 Q. Did you obtain the job?

A. I did not.

214 Q. Do you know who did?

A. I was advised ADT did.

215 Q. Who advised you of that?

A. The management.

216 Q. Did he advise you the reason?

A. Partially, lets say there was more than one reason. I believe one of the reasons was the price situation and the other reason was ADT handles the national account and we,

not being known at their headquarters, was not in a position to get the business because we can't afford to go to Akron, Ohio and bid a lot of times to get a couple of stores. That is only a start I understand.

217 Q. How was the initial approach made to your firm, did you solicit the different Firestone series of stores, did they approach you or did you approach them?

A. I don't believe I can—I believe one of our men found out they were having difficulty and we solicited the business and found we had to go through the downtown office and from the downtown office it has to go to headquarters, such [fol. 7455jj] as, Akron, Ohio.

218 Q. Did the Firestone manager give you any other reasons why ADT was selected over your firm?

A. No, I believe not.

219 Q. I believe you stated your price was higher than ADT's price?

A. We were advised it was.

220 Q. Were you advised how much higher?

A. No, I don't think customers reveal such facts.

221 Q. Were you given an opportunity to meet ADT's price?

A. No, if I was I wouldn't do it. We don't do business that way.

* * * * * * *

[fol. 7455kk] 228 Q. Have you, during the period of time which you have been rendering central monitoring service, been in competition with any of the companies furnishing local alarm service in Marion County?

A. Yes, of course.

229 Q. Have you obtained subscribers who formerly had local alarm service, without again going into identity and numbers, have you obtained subscribers who formerly had local alarm service?

A. Yes.

* * * * * * *

[fol. 7455ll] 239 Q. I believe it is your earlier statement your firm does render service outside Marion County what is commonly known as direct connected service between the subscriber's premises and the local Police Department?

A. Yes.

240 Q. Do you know whether there are any other firms located in Indianapolis who render that type of service?

A. Yes, I believe ADT renders that type of service.

241 Q. Do you know whether they render service outside the Indianapolis City Limits?

A. I don't believe they do—wait a minute—no, I think they do have a holdup service, if I remember, I am—of course, at this time we are also in the holdup service but I believe they do.

242 Q. Do you know whether the Indianapolis Police Department or the Department of Public Safety allows direct connected service here in this City, that is, service connected [fol. 7455mm] directly from subscribers premises to the Police Department with receiving units where each subscriber is located in the Police Department?

A. I don't believe they do. I believe they have some few, I am not sure, I believe some banks run to the Police Department directly.

243 Q. To your knowledge has your corporation presently any subscribers which were formerly subscribers of the ADT central station service?

A. Yes.

244 Q. Approximately how many would you say you had?

A. Oh, possibly five or six.

245 Q. I take it that will,

Mr. Williams: Strike that.

246 Q. Did you negotiate the service agreements with those particular subscribers?

A. Did I personally?

247 Q. Yes.

A. I believe in most cases, yes.

248 Q. Did any of those subscribers—first of all, do you remember who the subscribers were?

A. I might remember some.

[fol. 7455nn] 249 Q. To the best of your recollection who are they?

A. Advance Paint Company is one, Klincher Lock is one and I believe Curtis & French signed for ADT, which they did not take. I just can't remember all of them right here, I remember those distinctly.

250 Q. Have all of these been recent acquisitions by your company?

A. They would have to be quite recent, they would have to be since January the 2nd.

251 Q. Did any of the personnel in any of those companies you have mentioned give you any reasons why they were giving up ADT service in preference to yours?

A. Well, most definitely.

252 Q. Would you tell us what those reasons were?

A. Well, difficulty with the system, inefficiency of the operation of the system, I mean, that is facts.

253 Q. Can you relate that specifically as to the three firms you mentioned, did each of them give substantially the same reasons?

A. I think the reasons are always those reasons because they never consider the price paid for the installation, they take mine, pay me, again, they wouldn't think of the price because they are getting better service.

* * * * * * *

[fol. 7455oo] 262 Q. Does the customer ever ask you whether the installation of your system will entitle them to a premium reduction from their insurance company?

A. Yes.

263 Q. What do you tell them?

[fol. 7455pp] A. No and with reservation because there is certain companies that gives, that will give a credit on our equipment for service.

264 Q. Do you know what companies those are?

A. I know one in particular, which is American States.

265 Q. Is that located here in Indianapolis?

A. Yes, it is.

266 Q. Do you know the extent of the premium reduction that they will,

A. (Interposing) No, I don't.

267 Q. (Continuing) will offer?

A. No, I don't.

268 Q. Do you know of any other insurance company that offers a premium reduction?

A. Not right off, no.

269 Q. Have you ever had the experience of a potential customer refusing to enter into a protective agreement with you because of the fact he presently has burgler insurance?

A. Yes, I think that statement has been made. "I have

got insurance, what do I need an alarm system for". I think that statement has been made.

270 Q. Have you,

Mr. Williams: Strike that.

[fol. 7455qq] 271 Q. Am I correct in stating you told us earlier you had not lost any subscribers?

A. That is correct.

* * * * * * *

[fol. 7455rr] 278 Q. At the present time, that is, as of today's date, how many subscribers does your firm have to your central monitoring service?

A. Fifty.

* * * * * * *

[fol. 7455ss] 289 Q. On the basis of your operations from the beginning of this year to the present date do you expect that there will be an increase in the number of your central monitoring service subscribers by the end of the year?

A. I do.

290 Q. You stated you presently have fifty subscribers, do you expect that the rate of increase will remain substantially what it has been up to the present time?

A. No sir, I would expect it to be much greater.

291 Q. The greater rate of increase is based on your business judgment, would you make an estimate of the number of subscribers you might have by the end of this calendar year?

A. I would hope for one-hundred.

292 Q. And your hope is based on the performance of the business so far?

[fol. 7455tt] A. Yes and the service rendered.

293 Q. For the first eight months—for the first seven months of this year what has been the approximate gross revenue from your central monitoring service?

A. I don't have those figures available sir.

294 Q. Do you have books and records here that would reflect those figures?

A. They would possibly reflect them, it has been progressive, we started January 2nd and considering today we

have approximately fifty customers, so it has been progressive along that line and when it comes to the approximate gross it would have to be broken down, which would be a considerable problem to go through the books and break it down, it is just not ready.

295 Q. Do you generally oversee the operations of the corporation?

A. I do.

296 Q. I take it you are familiar with the day to day business that is done and the new accounts gained?

A. I would think so.

297 Q. Also the number and items of equipment that are installed?

A. I would judge so, yes.

[fol. 7455uu] 298 Q. I take it you know whether or not the business is operating profitably or unprofitably?

A. I would think I would know, yes.

299 Q. To your knowledge it is operating profitably, is that correct?

A. No, that is not correct.

300 Q. It is operating unprofitably then?

A. We expected it to be that way.

301 Q. How long do you expect that to happen?

A. We expect possibly to break even at the end of the year.

302 Q. What do you think your break even point would be in gross?

A. On the monitoring service are you speaking of?

303 Q. Yes, just limit it to the monitoring service?

A. We feel we will break even by having roughly one-hundred customers, which would be $2,000.00 on our income, not including phone line cost.

304 Q. You say $2,000.00 on our income, do you mean $2,000.00 a month?

A. Yes, per month.

305 Q. How close are you now to the break even point?

A. We are not. I told you we had fifty customers.

306 Q. You are running about $1,000.00 a month?

A. That is approximately.

* * * * * * *

[fol. 7455vv] 316 Q. Could you at this time by an exami-

nation of the books come up with the gross figure for your central monitoring service so far this year?

A. I don't see how I could, the record is not,

317 Q. (Interposing) An approximate figure, could you do it by an inspection of the books?

A. With enough time, yes. I am not the bookkeeper at my place of business.

318 Q. How much time would you need sir?

[fol. 7455ww] A. Well, in the first place the bookkeeper will not be back until next week, so it would be a matter of how long it would take her to do it, I don't know.

(At this time there was a discussion off the record)

(Continuing) I would say approximately $25,000.00.

319 Q. For the first seven months of this year?

A. Yes.

320 Q. Just again on your formed business judgment what do you attribute that to, to your central monitoring station operation or does that include everything the corporation is doing right now?

A. That includes everything.

321 Q. I think you stated earlier approximately sixty percent would be attributable to your central monitoring station work?

A. Yes, I would say so.

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[fol. 7455xx] Cross-examination.

Questions By: Noel E. Story, Esq.

322 Q. Mr. Coffey, as I understand it, when a signal is received in your central monitoring station your company does not dispatch a guard to those premises from which the alarm emanated?

A. That is normally true.

323 Q. What do you mean by normally?

A. There has been exceptions sir.

324 Q. What percentage of the cases do you dispatch an alarm—I mean a guard to the site of the alarm?

A. I would say approximately less than one percent of the cases.

325 Q. When you receive a signal at your central monitoring station do you call, do you notify the police?

A. After we have determined what the signal is, if it is someone entering, yes.

326 Q. What do you mean by that sir, if you determine from monitoring, the noise sounded like that, that it may be an intrusion,

A. (Interposing) Yes.

327 Q. (Continuing) then you call the police?

[fol. 7455yy] A. Yes.

328 Q. Did you state a moment ago that in some instances you found that the police were not available to answer the call as immediate as you thought they should be?

A. Yes, it has been very, very small, very minute, I think it has happened only twice.

* * * * * * *

[fol. 7455zz] 344 Q. You mentioned that an airplane flying over one of your premises which you protect sometimes would set off the alarm?

A. Yes.

345 Q. What other types of sounds might cause your alarm to go off, outside of a burglar?

A. Hundreds of things, such as, an airplane going overhead, a train going by on a railroad track, a car blowing its horn or maybe it just started up, anything audible to the ear and some things that are not audible.

346 Q. In other words, if I had a sledge hammer and was on the outside of a brick wall where one of your alarms is located I could beat on the wall and it would set off the signal on the inside?

A. Yes sir.

347 Q. In the event you receive such an alarm and there is continued hammering on the outside of the building, it would give you what indication?

A. Of course continued hammering we would be listening to it, the first time he touches it it trips our circuit and from there on we would be listening to everything he is doing.

348 Q. Is it your testimony that there are certain types of buildings in certain areas where your protective system

[fol. 7455aaa] will not operate because of the noisy conditions?

A. It would not operate properly or profitably.

349 Q. Tell us what you mean by not operate properly?

A. We would not be able to determine, for instance, if we had a location where there was apartments over the top of the location the same sounds they might be making up there would be the same sounds made by a burglar, so we would not be able to determine which was which. We would be making false runs and it would become very expensive, the expense of doing it would be prohibitive.

350 Q. In other words, you would have to listen all the time and it would require too much man power and effort to supervise such a system?

A. That's right.

351 Q. That is what you meant by it not being profitable?

A. That's right.

352 Q. What about installations in certain areas of the City, for instance, along the railroad track, would that have anything to do with whether your service would operate?

A. It effects us of course but we still take those systems, we handle them very nicely, we know what it is, we know when a train is switching cars and what have you.

353 Q. What other type area generally does your system not work in?

[fol. 7455bbb] A. Any outside area, we will not install a system in an outside area.

354 Q. Would it be true to say in any area where there is constant noise you couldn't undertake such a job?

A. A high noise level, that is also true.

355 Q. When your operator receives an alarm which she determines is an intrusion or an attack upon the property she calls the police?

A. Immediately.

356 Q. Does she know whether or not the police are available to go and inspect this property?

A. Yes sir, but it is not a she sir.

357 Q. All right, your operator, lets put it like that. Have the police answered any of your calls within the last six months and called you or complained about it being a false alarm?

A. Yes, I would say we have had complaints because it was a false alarm.

358 Q. You have had that from the Police Department?

A. Yes.

359 Q. Have these complaints been often?

A. No.

360 Q. About how many occasions in the last seven months would you say?

[fol. 7455ccc] A. It would be very difficult to answer sir, because a great portion of them is on one location. I would say actually what you are asking me is how many times they have complained because we gave a false run.

361 Q. How many false runs have you had, that is what I am trying to determine?

A. I would say we have possibly had twenty or twenty-five.

362 Q. That is in the last seven months?

A. Yes.

* * * * * * *

[fol. 7455ddd] 403 Q. I think you testified that your system has been submitted to the Underwriters' Laboratory in an effort to get their approval?

A. No sir, I didn't say that. I said we was in the process and we are negotiating with Underwriters' Laboratory at this time and we are taking some corrective measures to comply with their specifications.

404 Q. Would you tell us how expensive this effort of yours with Underwriters' Laboratory is?

A. It believe it would be impossible to say how expensive it could be but it is very expensive sir. To just submit [fol. 7455eee] practically nothing is $2,000.00.

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[fol. 7455fff] 408 Q. Go right ahead and tell us.

A. The Underwriters' requirements for a central monitoring station is so rigid and so expensive that it requires hundreds of subscribers before you could maintain the personnel they require to do it. That is the reason, sir, normally, I believe, with any of the people, regardless of the type system they may be using, it requires years before

they get their Underwriters' central station approval for that very reason.

409 Q. Because of these exacting standards set up by these insurance underwriting organizations?

A. Yes.

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[fol. 7455ggg] 431 Q. Does your company furnish any so-called certificated protection service?

A. No.

432 Q. You have no approval from any insurance organization?

A. No.

433 Q. You made mention of the fact some insurance companies did give recognition to your protection service?

A. I am afraid that would need clarification. When you say recognition, do you mean monitoring recognition, or do they recommend our system, which do you mean?

434 Q. You were talking about recognizing it in the fact they allow some of your subscribers reduced insurance rates for your service?

A. Yes, there is one company only that I can think of at this time.

435 Q. Would you give us the name of that company?

A. I said that sir it was American States Insurance Company that would allow credit after they had made an examination of the property and determined if the policy holder [fol. 7455hhh] was entitled to a credit.

436 Q. How many customers do you have who have actually received some insurance credit from this insurance company?

A. I know of none.

437 Q. You haven't got any at the present time?

A. No.

438 Q. How do you know this company will give that?

A. By my own contact with the company themselves. You see we solicit approval from the various insurance companies of our equipment and acquaint them with its operation. You go ahead sir.

439 Q. Prior to the time you established your present type of business were you engaged in the local alarm business?

A. No.

440 Q. By local alarm, I mean an alarm system that only has noise making devices at the premises protected?

A. No sir, we would never.

441 Q. I think you mentioned you had taken five or six customers,

Mr. Story: Strike that.

442 Q. I think you mentioned you had subscribed your protection—I mean, installed your protection system in five or six locations which had previously received service from ADT?

A. Yes sir.

[fol. 7455iii] 443 Q. Could you give us the names of those organizations?

A. I believe I gave you some of those, Advance Paint Company is one.

444 Q. You named three, do you know who the others are?

A. No, I can't think of them right off right now, I will try to think of the ones—Keystone Meat Market. I am not sure, I think two or three of those cases is where they had signed agreements with ADT and then refused to put it in and two cases in particular I can think of, which I did mention, ADT service was discontinued.

445 Q. And you put your system in?

A. Yes sir.

446 Q. You gave us some of the reasons, as far as the service part was concerned, was the price charged a factor in switching to your type of service?

A. Well, I think price is always a consideration but that was not, no, that was definitely not a reason for switching to my service because they had to spend money to change to my service.

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[fol. 7455jjj] 449 Q. For instance, were you led to believe your systems were cheaper or more expensive than ADT's?

A. I would say in most cases my system is more expensive than ADT's.

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[fol. 7455kkk] 454 Q. Which I certainly, from my standpoint, would like for you to give the full facts so long as it be relevant to the matters we are looking for. I am not trying to cover up anything.

A. I know you are not. I didn't mean to insinuate either of you were, it was perhaps something that has not come to your mind.

455 Q. Tell us about it.

A. For instance, if, not just ADT or any other of the companies would be making the same type of installation goes out and says, "Gentlemen, I will put the system in for you for $150.00." He doesn't say what kind of a system [fol. 7455lll] sir. They will go put tape on the front door and tape on the back door and go home. That is $150.00.

456 Q. They who?

A. I am speaking of competition, whoever they may be with that type of a system. I can show you lots of them where to me it is absolutely laughable. It isn't possible to tape a window or a glass window upon the roof, they can walk in if they want to, it is no protection whatsoever. Now then, if we are going to permit people to do that, to charge a man for service that, in my own opinion, he is not getting, he is not getting, then I cannot compete with that type of operation.

457 Q. In that type of an instance who would be your major competitor here in town?

A. Well, I don't think there is any question but what ADT is our major competitor, it is the major competitor of anybody.

458 Q. Who else do you actually meet in competition on such a job?

A. I would say American Alarm.

459 Q. Do you meet local alarm companies in competition for that type of operation?

A. Sir, when you say local alarm companies, do you mean [fol. 7455mmm] local organizations or do you mean local alarm we interpret with a bell on.

460 Q. Local alarm which you interpret as a sounding device on the premises?

A. No, we could not compete with that, we don't attempt to.

461 Q. Why couldn't you?

A. Our equipment is much too expensive for that type of installation.

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[fols. 7455nnn-7457] 475 Q. Is there another company in this town who is attempting to set up a sound monitoring system similar to yours?

A. Yes.

476 Q. Are they in business today?

A. I believe they are sir.

477 Q. Do you know the name of that company?

A. I am not sure I know the name of the company, I believe they call their equipment the Silent Century, that is the name of the equipment, I am not sure about the name of the company, I think they call themselves National Protective Association, something of that type. They are located on South Rural Street, R-u-r-a-l Street, somewhere near South Eastern Avenue.

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[fol. 7458] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT W21A

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION, AMERICAN DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE COMPANY AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

Deposition of KENNETH M. HOLMES, taken before Lillian Z. Johnson, a Notary Public in and for the County of Dallas and State of Texas, on Monday, the 5th day of February,

A.D. 1962, commencing at about the hour of 1:30 P.M., at the offices of Thompson, Knight, Wright & Simmons, Suite 2300, Republic National Bank Building, in the City of Dallas, County of Dallas and State of Texas, on behalf of the defendants in the above entitled action pending in the above named court pursuant to subpoena and notice.

* * * * * * *

[fol. 7459] KENNETH M. HOLMES, having been first duly sworn, deposeth and saith as follows:

Direct examination.

By Mr. Williams:

Q. Can we have your full name, please?
A. Kenneth M. Holmes. H-o-l-m-e-s (spelling).
Q. Where do you live?
A. 1703 Mountain Lake Road in Dallas.
Q. Are you connected with any firm which offers electric protective service in the city of Dallas?
A. Yes, Dallas Burglar Alarm Company.
Q. Is that located at the same address you just gave me?
A. Yes.
Q. Is that firm owned by you?
A. Yes.
Q. It is not incorporated?
A. It is a partnership, myself and my father.
Q. How long as the firm been in business?
A. We have owned the company ten or eleven years. The firm has been in business thirteen or fourteen.
[fol. 7460] Q. I take it that you purchased the firm from some other persons?
A. We bought the company out.
Q. Do you know how long it was in business before you bought it out?
A. About three years.
Q. What type of business does it presently engage in?
A. We are strictly in the installation and service of burglar alarms.
Q. Are those local type systems?
A. Local alarms.

Q. Was that the nature of the company's business when you and your father bought it?

A. Yes.

Q. Approximately how many subscribers does your firm have at the present time?

A. Just in excess of 300.

Q. Is this an increase over the number of subscribers that you had when you purchased the firm?

A. Yes.

Q. Do you remember just approximately how many subscribers there were when you bought it?

A. When we bought it, there were approximately 20, in the neighborhood of 20.

[fol. 7461] Q. Where does your firm operate geographically?

A. Primarily in Dallas and Dallas County, also in the north central part of the state.

Q. What type of service do you furnish outside of Dallas?

A. Just like we service in Dallas.

Q. Local burglar alarm?

A. Yes, sir.

Q. In the City of Dallas and immediately around it, do you lease or sell these alarms?

A. We lease.

Q. On your operations outside of Dallas, do you lease those also?

A. Yes, we lease.

Q. What city is that?

A. We go as far north as the Sherman, Denison area and as far south as Lake Whitney area. I would say it is a radius of about 60 or 70 miles of Dallas.

Q. Outside of local burglar systems, does your firm do any other electric protective work?

A. No, sir.

Q. Does your firm own the equipment you install on your subscribers' premises?

A. Yes, sir.

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[fol. 7462] Q. Besides the usual type of burglar alarm installation of foil and contacts, what type of equipment do you use?

A. We use some photo-electric equipment. We use that in large warehouses.

Q. Aside from that are there any other types of equip-
[fol. 7463] ment that you use?

A. No.

Q. Do you use floor traps?

A. Explain yourself on floor traps; now, as far as mats are concerned, we do not have mats.

Q. Wire type where a wire would be stretched across the floor?

A. Yes.

Q. Do you have any figures with you, Mr. Holmes, which would show your number of subscribers over the past years?

A. Yes, sir. What is it you would like to know about. I am at a little disadvantage here.

Mr. Williams: Off the record.

(Off record discussion.)

Q. Let us start with 1955.

A. In 1955, 94 accounts.

Q. Gross from that was?

A. Gross receipts—qualify that for me, please.

Q. Gross receipts from rental and servicing of equipment if you have it broken down that way.

A. I have it broken down in these categories: installation, charges on alarms, supply, sales, miscellaneous receipts and my gross figure.

Q. I think gross figure will be satisfactory.

[fol. 7464] A. On the 94 accounts in 1955 there was a gross of $9,462.20.

Q. Let us try 1956 now.

A. 1956 had 127 accounts with a gross of $11,508.59.

Q. 1957 now.

A. 1957, 150 accounts, gross receipts $15,493.70.

Q. 1958?

A. 1958, 165 accounts, gross $15,928.64; that was 1958.

Q. All right——

A. 1959 there were 196 accounts, gross $19,205.32.

Q. 1960?

A. 1960, 253 accounts, gross $23,592.85 and 1961, 276 accounts, $29,195.62. Our year ends as of September 30th, so all those figures would be as of that date.

Q. Has there been an increase in the number of accounts since September 30, 1961?

A. Yes, sir.

Q. Could you estimate what that would be?

A. We have 306 or 8 accounts at this time. Mr. Story, that has increased a little since I talked to you last.

Q. Mr. Holmes, do you purchase or assemble your own [fol. 7465] alarm equipment?

A. We buy our equipment from Alarm Device in Brooklyn.

Q. That is Ademco?

A. Yes, Ademco; we, of course, buy the parts and assemble it—standard parts.

Q. Have you had any difficulty in obtaining the devices you have wanted over the past years?

A. No, sir.

Q. Are there any other suppliers you have besides Ademco? I am speaking of alarm equipment rather than electrical supplies?

A. No, we buy all our equipment from Ademco.

Q. Is the Ademco equipment you buy Underwriters Laboratories approved?

A. No, sir, it is not. We are not an approved firm.

Q. By "approved firm", you mean you are not approved by Underwriters Laboratories so far as installation?

A. That is right.

Q. Are you seeking such approval?

A. Yes; you might not want to put this down. Since we have been called as a witness, I have contacted the Underwriters and asked for applications to have the company [fol. 7466] approved.

Q. And that is to have it approved for the installation of local burglar alarms?

A. Yes.

Q. Do any of your present subscribers receive any insurance discounts for installation of your burglar alarm systems?

A. Yes, what amount, why, I do not know. I have been told they were receiving a credit on it and I assume it is probably from performance rather than anything else. There again, probably from a mutual company rather than a stock company.

Q. By that you mean a mutual insurance company rather than a stock insurance company?

A. Yes.

Q. How many methods does your company have, sir?

A. We have eight now.

Q. Is your company equipped to render 24-hour service on its burglar alarms?

A. Yes, sir.

Q. How does it do that, sir?

A. We maintain, of course, the office in my home. The men that we hire to service these alarms operate from their own home. They are on call every night. When a call comes in, why, of course, we call them at home. Then, of course, [fol. 7467] this is alternating; we will have two to three cars on the streets at night which are radio equipped and if a call comes in, they are dispatched from the radio or from the office to their car.

Q. These radio facilities, are they telephone company radios or are those your own?

A. They are our own station.

Q. You have two-way communication with your cars?

A. Yes.

Q. Tell me generally, Mr. Holmes, what type of premises does your company protect?

A. Oh, I would say your small businesses—oh, like your small drug stores and grocery stores, liquor stores, lounges. What I am saying there is they are not large nationally owned concerns or chains; primarily locally owned businesses.

Q. Do you protect any small chain stories in the Dallas area?

A. Yes, locally owned stores.

Q. What type are they, generally?

A. Oh, grocery and automobile parts houses, drug stores.

Q. What would you estimate to be the largest number of [fol. 7468] locations that you protect that are owned by one owner?

A. Oh, golly, let's see, I believe it's either eight or ten, I am not sure about that, auto parts company; there are three warehouses in that chain that we have protected. That would actually be nine there on that particular chain.

Q. What is the name of the company?

A. Jacks Auto Supply.

Q. Does your company have a kind of standard monthly price for servicing burglar alarms?

A. No, there is no standard price. We do have a minimum price that we charge. Our minimum at this time is $8.00.

Q. What does that cover, sir? I mean, does it cover whatever servicing you have to do on the alarm?

A. Yes, if we do not have to make any calls, it is $8.00; if we have to make a dozen, it is $8.00.

Q. Would that charge go up, say, for the number of openings on particular premises that increased your amount of equipment that had to be installed?

A. Actually, I do not figure a job on that basis, on the number of openings in a place.

Q. How do you figure it?

A. We look at it from the standpoint of the type of [fol. 7469] business it is. For example, a jewelry store—your service on that is practically nil, whereas on a lounge, filling station or something like that, why, it is really pretty high.

Q. You are talking about wear and tear on equipment?

A. Yes, number of calls we make over a period of a month and so if we bid on a filling station, for example, why, of course, we are going to bid a lot more on it than on a jewelry store, maybe, with the same openings.

Q. Tell me how these men you have on call at night go out to look at the alarms if something has happened; are these men armed?

A. Yes, let me clarify that. They are commissioned through the city of Dallas. Now, for example, I do not wear a gun and I have several other men that do not. A lot would depend on the type of call he is going on. If we have a closing call, chances are he does not wear one; if it is an alarm ringing, chances are he would put it on.

Q. This is left to his own individual discretion?

A. That is right.

Q. He is authorized to use one if he so desires to?

[fol. 7470] A. Yes, he is authorized through the city of Dallas.

Q. You told us earlier you do not have any fixed contract with your subscribers.

A. That is right.

Q. Do they pay you monthly?

A. Yes, sir.

Q. When do you consider that their relationship with you could terminate; would it be on non-payment?

A. Yes, fact of the matter is we don't tolerate too much of that. We are a small company; we need our money to operate on and if a place starts riding us then is when we terminate relations with them. We have no contract, just a day-to-day proposition, I would say.

Q. Now, what would you do; would you go out and remove the equipment after they had not paid you after thirty or sixty days?

A. The way we generally handle that is go out and tell the man he either has to pay or that's it and if he does not pay, of course, we remove our equipment if we can. If he puts up a howl about it, like I said before, we don't try to force him to do anything.

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[fol. 7471] Q. Have your prices for this service generally increased or decreased or remained steady for the past five years?

A. No, they have increased for the past five years. I know what our average is now. I do not believe I have the average per unit cost back to 1955; at the present time it is $9.02 per month—I mean per account—$9.02 per account average.

Q. And that would be up from what, say, four or five years ago, just approximately?

A. I would say up from probably, oh, $7.50, in that neighborhood.

Q. What has that increase generally been caused by?

A. Actually, I don't have anything to base it on other [fol. 7472] than we have stressed our service. We push service and when we bid on a job, we sell our service rather than our equipment or our company, and we found it has paid off. In other words, we will get jobs; we will get more off a job than maybe some competitor that has bid on it will get.

Q. Have you found that not being U.L. approved you have difficulty?

A. Not to this time I have not. I can see where it would open up an entirely different field or I feel like it would open

up a different type of business to us if we were approved now. But so far, it has not hindered us in any way.

Q. Are you in competition with firms in the Dallas area that furnish approved service?

A. Yes.

Q. What companies are those, sir?

A. The only ones—I can't answer this truthfully—the only ones I know of are ADT and Smith. I assume they are both approved companies.

Q. Do you meet these firms in competition on jobs?

A. Not necessarily but to bring out what I just got through saying, we do not necessarily try to compete with them. We bid on a job what we figure it will take to make [fol. 7473] us a little money.

Q. Perhaps I misused the word "meet". Are you aware these firms are bidding on the same jobs you are bidding on?

A. Oh, yes, we are aware of it.

Q. Is that a frequent occurrence?

A. Yes, I am sure they have salesmen out like I do and I am sure they use the same source of leads I use. So, if their salesmen are out working like mine, I know we are bidding on the same jobs.

Q. Have any of your prospective customers ever told you they have sought bids from both your company and Smith and ADT for protective service?

A. Yes.

Q. Have you received any of those jobs?

A. Yes, sir.

Q. Do you know whether you were bidding against Smith and ADT central service station as opposed to your local service?

A. Yes, to this extent, I have seen, or the man has told he has two types of bids and, of course, they would ask us for the two type of bids and, of course, we are only in the local alarm business so we can only give one bid but I do know that we have been up against that.

[fol. 7474] Q. Where these other companies have put in bids for these two classes of service?

A. Yes.

Q. Have you ever received any of those jobs?

A. Yes, sir.

Q. Can you recall any in particular?

A. Oh, actually I can't. I could probably go back and look over my records and give you the information but just offhand, I don't know. I would be afraid to name some company because it might not have been.

Q. But it is your testimony that your firm is in competition with both Smith and ADT in the furnishing of protective service here in the city of Dallas?

A. Yes, and half a dozen others.

Q. Who are some of the others?

A. Greenville Avenue, Southwest Burglar Alarm Company, Greenway Park—I would say those are the primary companies that we run up against

Q. Do any of those companies offer central station service?

A. There is only one other I know definitely, that is Greenville Avenue. I understand that Southwest started it up and sold out—to get a few accounts—and sold out to Greenway Park; that is just hearsay.

[fol. 7475] Q. Has your alarm business been profitable in the past four or five years, sir?

A. I don't know what you mean by profitable.

Q. Has it showed a profit rather than a loss?

A. Yes.

Q. Is that generally increasing?

A. Yes, it is increasing. You see there it has increased, of course, I don't think we are making any more now than we did back at the beginning. We do not have more money to operate on, I don't think.

Q. In the area in which you operate, sir, are there any companies that furnish patrol or watch service?

A. Yes.

Q. Do you consider that type of service competes with the electric protective service your company offers?

A. No, it is an entirely different service, I feel like. In the first place, I do not believe in that other type of protection. A man has to have a pretty strong conscience in order to even put it in for what they put forth here in Dallas.

Q. Do you know whether there are any firms in Dallas or around Dallas that furnish a type of service in which [fol. 7476] an alarm device is connected to a telephone answering service?

A. No, I do not. I do not know of it. I understand in, oh,

some of these smaller towns such as Arlington, they do have alarms direct to the police station which are supervised by the Police Department, but as far as a telephone answering service, I do not know of any.

Q. Do you do any of the selling for your company, sir?

A. Not much.

Q. Have you in the past?

A. Sure.

Q. Have you ever had a prospective subscriber tell you that he considered his insurance was adequate protection and did not need an alarm system?

A. Oh, yes, you run into that all the time, or used to. I assume the salesmen still run into that.

Q. It is a rather common occurrence?

A. Yes.

Q. Have any of your local alarm subscribers switched to central station service within the last year or so?

A. Not that I know of; I have not last any to my knowledge where that has happened.

[fol. 7477] Q. All right. Do you know whether any of your current subscribers formerly had central station service?

A. Yes, I got some; I do not know who they are that have gone from central to audible or local.

Q. Do you have any idea, roughly, what the approximate number would be?

A. Over the period of years we have been in business, I would say probably from eight to ten accounts that we have used to have silent protection. The change was brought about by change in locations of business, maybe the building, a new building or ones they moved out of from other locations. It is our practice where there is an alarm in a business, we never contact them; don't make any difference what company it is, we do not try to get their business.

Q. In a situation like that, you would wait until they came to you?

A. That's right.

Q. If they did come to you?

A. That's right.

Q. Does your firm protect any United States Government installation of any kind?

A. Such as army bases? No.

Q. Or post office buildings, or anything like that?

[fols. 7478-7479] A. No, we never been able to compete on that. I have bid on several of them but the specifications are such as to more or less eliminate us.

Q. Do you have any complaint at all about the way American District Telephone Company has operated in the city of Dallas so far as it affects the affairs of your company?

A. No, I very seldom run up against them. Well, as far as running up against them in anything that would leave a bad taste in my mouth, I have not had that happen.

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[fol. 7480] Q. Do you ever protect safes?

A. Yes.

[fol. 7481] Q. What type of equipment do you use to do that?

A. Standard Ademco connections and on our safe, we build a cabinet of plywood that sits down over the safe and the inside of that cabinet is stripped with fine wire, and, of course, they got to get in the alarm before getting into the safe or door and everything is contacted like a building. We make the cabinets ourselves and put them over; we found that is the safest thing to do on safes.

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Cross-examination.

By Mr. Story:

Q. Mr. Holmes, you may have covered this but I cannot recall it. Does the Police Department in the city of Dallas allow alarms to be connected to the Police Department?

A. In the city of Dallas?

Q. Yes.

A. The only ones that I have any knowledge of would be your finance companies. I understand some of your banks go right to the Police Department, possibly your Federal Reserve bank, some of the large banks. I do not know what kind of connection they have. I do not know what company installs it for them.

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[fol. 7482] Q. Mr. Holmes, after these burglaries on some of your local alarm subscribers' premises, did any of those accounts change to a central station type of service after the burglary, to your knowledge?

A. Not to my knowledge. It is possible that I could have lost some after a burglary but I do not—just to put my finger on it—I do not know.

* * * * * * *

[fol. 7483] Q. You mentioned awhile ago that you have established some of your local alarms in places which formerly had central station protection service?

A. Yes.

Q. You also mentioned the fact in most of those instances a subscriber obtained your service in a different location or had moved to a different location?

A. That is right.

Q. So, that was not an instance where in the same premises the same subscriber took out central station service and changed to local?

A. That is right. I found over a period of years when a man does business with me, unless something really happens, he is not going to change. I got one instance now hanging fire. It is on this drug chain I have. It is where [fol. 7484] the man is considering putting in a silent alarm. I got all his other stores which is local in this particular instance. I can see where if I was in his shoes, I would do the same thing because of the location. He is going into what I consider a real bad location. I think if I were the man I would put both in.

Q. So, that one particular account is considering at the present time central station service?

A. Yes, sir.

Q. And it is because of the area in which the business is going into?

A. Yes, sir.

Q. Is that considered a high crime area?

A. Yes, the man called me and talked to me about it and, of course, I hate to lose his business but would still hate to have it and still have something happen because I have all those other stores involved.

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[fol. 7485] Q. Has any of the central station protection companies here in Dallas ever referred any local alarm subscribers to your company, to your knowledge?

A. Yes.

Q. What companies have done that?

A. ADT.

Q. How do you know they had been referred by ADT?

A. The party that was calling up would say they had contacted ADT and they suggested they contact us on it.

Q. Does that happen very often?

[fols. 7486-7489] A. Oh, it has happened several times.

Q. During what period of time?

A. Well, I guess you would say to the present time, maybe not in the last few months, two or three, four months, but I recall one place where it went that way. They were bidding on the job as a central station and the man wanted audible and they suggested he contact us.

Q. How long ago was that?

A. I would say approximately not over eight months ago, could have been six—six to eight months ago, and by the same token, I have done the same thing where I run into jobs and they say they want central station, why, I have done the same thing.

Q. You referred them to ADT?

A. Yes, sir.

Q. Has the Smith Detective Agency ever referred any local alarms to your company?

A. No, sir.

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[fols. 7490-7491] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT W22A

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION, AMERICAN DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE COMPANY AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

The Deposition of CLAUDE L. CARPENTER, taken by the Defendants, before Ida King, a Notary Public within and for the County of Wayne, State of Michigan, at 800 First National Building, Detroit, Michigan, on Friday, September 28, 1962, commencing at 10:10 o'clock A.M.

* * * * * * *

[fol. 7492] Detroit, Michigan, Friday, September 28, 1962, 10:10 o'clock A.M.

CLAUDE L. CARPENTER was thereupon called as a witness herein, and, having been first duly sworn by the notary public to tell the truth, the whole truth, and nothing but the truth, testified as follows:

Examination.

By Mr. Conkling:

Q. What is your name, for the record?
A. Claude Leon Carpenter.
Q. What is your residence address, please?
A. 8243 Carriage Hill Drive, Utica, Michigan.
Q. And are you engaged in the alarm business?
A. I am, as a manager of the Alarm Division of Dawn Patrol Burglar Alarm Company.

Q. Is the Dawn Patrol——

A. (Interposing) I might rather say Dawn Patrol, of which there are two divisions. I am in charge of the burglar alarm division.

Q. The name of the company, however, is Dawn Patrol Burglar Alarm Company or Alarm Company?

A. We call the company Dawn Patrol. We have Dawn Patrol Burglar Alarm Division, Dawn Patrol Plant Protection Division.

Q. And you say you are the manager of the company, including both divisions?

[fol. 7493] A. No sir; of the alarm division.

Q. Are you knowledgeable of the affairs of the plant division?

A. I would say yes, fairly, inasmuch as I'm in the office all the time.

Q. Is this company in business under a corporate style, or is it a partnership?

A. It is not a corporation.

Q. Is it a partnership?

A. It is a partnership.

* * * * * * *

Q. Now, what is the business address of the company?

A. 15101 Mack Avenue.

Q. Is that its only address? Is that its central office?

A. Yes.

Q. Does it have any other place of business?

[fol. 7494] A. No, sir.

Q. And that is in Detroit?

A. Yes, sir.

Q. And for how long have you been employed by the company?

A. I believe since February of 1954.

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[fol. 7495] Q. Would you outline for me briefly and succinctly, if possible, the nature of the business of Dawn Patrol, both divisions, first one and then the other?

A. Well, we are a company formed to furnish protection to whomsoever may purchase it from us in the field of guard

service or electrical protection, so far as concerns burglar alarms.

Q. When was the company first formed, if you know?

A. I have been told that the guard division was formed in 1930.

Q. So far as you know, that is an accurate estimate of its beginning?

A. As far as I know, yes.

Q. And when was the alarm division formed?

[fol. 7496] A. I have been told that the first alarm was sold in 1938.

Q. And where was that first alarm sold? Here in the city of Detroit?

A. I am quite sure that it would have been, but I couldn't guarantee that.

Q. Do you know who formed the business in the first instance?

A. Ernest A. Prova, Senior, now deceased.

Q. The father of the present partner?

A. And of the daughter, of the girl also.

Q. Now, will you describe for me the guard services which your company provides?

A. I don't know just from what angle you wish me to do this.

Q. What kind of service do you render, offer to render, to your customers?

A. We render full-time guard service to anyone who may desire to accept our services. In other words, what I'm trying to say is that we do not do any so-called guard patrol work. In the inception of the company, that was so; but at the time we opened a burglar alarm division, we discontinued doing patrol work, as you would call it, an hourly visit to this place, that place, and we only lease guards now at so much per hour on the premises of the person who requires them.

Q. How many persons are employed by your company in total?

A. In total? Well, sir, this will not be absolutely accurate.

Q. Give me your best estimate.

[fol. 7497] A. My closest estimate would be 75, which will

not be too far wrong; and, of course, this figure can vary considerably from time to time.

If I may state it, for instance, we did the guard work for Michigan State Fair this year, and that required us, of course, putting on about 25——

Q. (Interposing) Extra men?

A. Extra men to cover that thing for a period of ten days; and those were not able to be absorbed in other jobs and necessarily had to be laid off. So we can vary considerably in the guard end of it, depending on requirements.

Q. But is it fair to say that the nucleus of your regular working force totals about 75 as of now?

A. I would think that would be close to a fair figure.

Q. Has that been fairly steady during the last twelve months, but for the occasional extra men that you had to employ?

A. I think that that would be close.

Q. Can you tell me approximately how many people were employed by your company in 1954, when you first came with it?

A. Well, sir, I was employed only as a salesman at that time. However, in 1954, I have been told that we had about 160 or seventy people working as guards. I know that we have decreased considerably since that time in number of employees in the guard division.

Q. Well, now, let's get back to the 75 that we are talking about currently. What is the split of that figure as be-
[fol. 7498] tween guard division and your alarm division?

A. Well, the alarm division has full-time employees of ten people and two part-time.

Q. So that there are 65, approximately, regularly employed——

A. (Interposing) That would be approximately what they are, what I would consider our steady guard force. And, as I say, if some unusual event, like Cobo Hall or Fair Grounds, something like that, should come up, that would require additional employees for a week's period, so we might fluctuate about 20, 25 above that figure; but 65 I would think would be about our nucleus of steady employees currently.

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[fol. 7499] Q. Now, will you tell me, Mr. Carpenter, the types of service which your alarm division renders?

A. Well, we have central office alarms; we have police station alarms; we have what we turn standard local alarms; and we have what we call certificated local alarms.

* * * * * * *

Q. So that you have listed here under Item A central office alarms. Would you tell me what that service is? What type of central office service does your company furnish?

[fol. 7500] A. Do you mean in classification as far as Underwriters are concerned, or how do you mean this?

Q. Well, you do have a central office?

A. Yes.

Q. Central station?

A. Yes.

Q. How does that operate?

A. Well, it operates by me placing an alarm in a transmitter in a man's place of business, coming by leased wire to a receiving board in our office, where the alarm is registered on tape—if that's what you mean.

Q. Yes. Is that coded in some fashion?

A. It has what we call a code wheel and a transmitter that codes a certain set of dashes and dots on tape so that we may know where the alarm is being received from.

Q. And when you receive a signal, what happens?

A. We immediately send the Police Department and then a service man.

Q. How do you send the Police Department?

A. By Bell Telephone.

Q. By direct line?

A. No. I said by Bell Telephone.

Q. Oh, dial Bell Telephone?

A. Yes.

Q. Now, is that burglar alarm service only in the central office field?

[fol. 7501] A. I believe I have two temperature controls and one fire alarm.

Q. Do you have any sprinkler supervisory?

A. No, sir.

Q. Do you have any industrial process, or is that what you mean by temperature control?

A. When I say temperature control, I have an alarm on loss of heat in one greenhouse, and another place where a man is interested that his place doesn't become cold enough to freeze.

Q. What kind of place of business is the other one?

A. It is a scrap metal company.

Q. Do you provide any watchman's tour supervisory service?

A. Yes.

Q. Are those accounts included in any of the several categories?

A. They are. They are included in our central office—in fact, these two are combinations of central office burglar alarm service in both of these places with separate transmitters, one to indicate breaking in the greenhouse, one to indicate loss of heat.

Mr. Levy: Excuse me, Mr. Conkling. Would you let the witness answer how many?

By Mr. Conkling:

Q. All right, how many watchman tour supervisory accounts do you have?

A. I didn't go into that specifically, but I would say three or four.

[fol. 7502] Q. What is the nature of the businesses in which those three or four services are rendered?

A. Well, sir, one I know is in a construction firm's office, and they have a large yard of machinery and so forth; and I believe the other one is a steel company. We have lost a couple. I believe those might be the only two we are currently operating.

Q. Now, you indicate on this sheet of paper the number 119 next to central office alarms. Is that the total number of your current accounts of central office customers?

A. Yes, sir.

Q. And you have mentioned several of them. Are the balance burglar alarm customers? I take it there are perhaps 110 burglar alarm accounts among those 119?

A. I believe there would be that many, possible more,

because, as I say, these two heat deals that we discussed are actually central office burglar alarms, with that added to them; and I counted them only as being one account, which they are.

Q. You mean with such a person you would have one contract that provides for both services?

A. That is correct.

Q. Or more?

A. Well, he would be priced monthly for the covering of that service.

Q. Now, you also have written here "Police Station," with the number 23. Would you tell me what that signifies?

[fol. 7503] A. That signifies customers that we may have in suburban areas where police stations will accept an alarm having a direct wire from them to the police station.

Q. This is called a direct-connected service or remote station service?

A. Well, to me it is direct wire to police station, supervised by the Police Department by whoever is on duty, and not by us, as it would be if it were a central station alarm.

Q. Are there any such services rendered in the city of Detroit?

A. No, sir.

Q. Have there ever been, in your experience?

A. The City of Detroit Police Department will not accept that type of alarm.

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[fol. 7504] Q. Now, what types of businesses do the persons run who have that direct-connected service, in a general categorization?

A. I would say by and large mostly small mercantile establishments.

Q. Can you give me several for-instances?

A. Oh, one I can think of offhand is a party shop which has a liquor license. I have in the northern section an independent supermarket type store, two bars; over on the eastern section I can think of a drug store. I would think that that would probably cover at least ninety per cent of them in those four or five categories.

Q. What is the geographic area serviced by your central office?

A. The city of Detroit, Dearborn, Center Line, and Warren, all of the Grosse Pointes, St. Clair Shores, East Detroit, Roseville.

Q. Do you render any such service in any other state?

A. No, sir.

Q. In Canada?

A. No, sir.

Q. And how would you describe generally the kinds of businesses which those central office services protect, thinking in terms of these 119 accounts that you mentioned?

A. Well, they are quite a varied cross-section.

Q. Factories?

A. Some small factories, warehouses, machine shops.

[fols. 7505-7507] Mr. Levy: I object to this line of questioning, Mr. Conkling. Let the witness suggest the answer.

By Mr. Conkling:

Q. Go ahead.

A. And, of course, mercantile establishments of many and varied types. I don't know how I could possibly enumerate them all to you.

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[fol. 7508] Q. Now, sir, do I understand from this sheet that you have handed to me that you currently have a total of 1,109 accounts?

A. Correct.

Q. This is of your burglar alarm division?

A. Yes, sir.

* * * * * * *

Q. How many accounts do you have in your guard division?

A. Well, that is many and varied. Of our steady accounts, for which we do business year in and year out, I would say approximately a dozen; but now I am not conversant enough with the guard outfit to say that that would be absolutely correct, but that would be close.

Q. You mean as of now you have, you think, twelve regular accounts for your guard service?

A. I would think so. Of course, from week to week and

day to day the picture in plant protection can change considerably because of the emergency nature of the business. Somebody is tearing down a building, they want a guard for a week; or they are tearing a wall out of a building to remodel, and they want a guard for a week. I suppose that is an account, but of our steady year in and year out accounts, I would think about a dozen would be close to correct.

Q. And when you say steady year in and year out accounts, sir, are you going back at least until 1954, since you have been with the company?

A. I am telling you what I think we have currently.

[fol. 7509] Q. You mentioned certificated. What is the effect of a customer of yours being certificated, do you know?

A. Well, primarily it is a way for him to be guaranteed that he is going to get everything that he should have for the classification that he is having installed.

[fol. 7510] Q. Guaranteed by what? Your company?

A. He is guaranteed by the Underwriters Laboratories through us, is being licensed by them and subject to their inspection of our various installations. It is a guarantee that he will get a high standard burglar alarm.

Q. Does this involve insurance discounts or reductions, if you know?

A. I believe that there are certain insurance companies and certain policies and certain circumstances under which they do receive an insurance reduction for having installed a certificated alarm.

Q. Is there any explanation that you are aware of why your 932 local standard accounts are not certificated?

A. I would presume primarily because the customer didn't feel that he cared to pay the money that would be necessary to install a certificated alarm.

Q. What is the difference in the charge?

A. Normally, for us, about double to install a certificated alarm as opposed to a standard alarm.

Q. And what is the reason for that? Does the equipment cost more?

A. The equipment costs considerably more, yes.

Q. Is that the sole reason for the difference in the charge you make?

A. It can be. If we are installing a standard local alarm covering all openings and doing them by procedures which would meet Underwriters' Laboratories' specifications, with [fols. 7511-7514] the exception that the equipment would not be certificated, then the labor of one would be equal to the labor of the other.

However, as I told you, when we install a standard local alarm, the customer can dictate how little protection he may wish to have. He can say to us, "Those windows there, I am sure they are never going to break into them. I want my rear door, my front door, and my transom done, and that is all I want done."

Q. Have any of your local standard customers changed to local Grade A, Class 3 accounts?

A. I have known it to occur, yes.

Q. You have known it to occur. How often has it occurred since 1954, since you came with the company?

A. Well, let me say, rarely. I can't quote figures.

Q. Rarely, however?

A. Yes.

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[fol. 7515] Q. Now, another of the four sheets you have handed me is marked "Dawn Patrol." Would you tell me what this paper is?

A. That is our current contract for both central station and local alarm service. We have combined the two into one, and we only write in the type of service that is to be provided. It can be either Grade A, Class 3; it can be holdup; it can be any type of service that we provide.

Q. Including direct-connected service?

A. Yes, sir.

Mr. Conkling: Will you mark that paper just described by Mr. Carpenter as Defendants' Exhibit 4 for identification.

(The form of contract was marked Defendants' Exhibit 4 by the reporter.)

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[fol. 7516] Q. Mr. Carpenter, I see that this current form of contract, Defendants' Exhibit 4 for identification, provides that the property which you installed on your subscriber's premises remains your company's property.

A. Correct.

Q. Is that right?

A. Yes.

Q. Has that always been provided in your contract, so far as you know?

A. I can't tell you if it has always been——

Q. (Interposing) Back as far as you know?

A. Back as far as I know, yes. Some of these older contracts, I can't tell you for sure if it did or not, but that was the intent, of course, if it didn't specifically so state.

Q. That the service company retains title to the equipment and devices?

A. To equipment and devices, yes.

Q. So far as you know and based upon your experience in this alarm industry, is that a usual provision in alarm company contracts?

A. I believe that it is.

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[fols. 7517-7519] Q. What is the usual term of your contract, Mr. Carpenter?

A. There is no usual term of our contract. They are hard and fast.

Q. What is your company policy, if you have one?

A. We assume that at the price we install burglar alarms, that we cannot ever make any money if we do not have at least two years; and therefore, unless there are outside reasons, we do not write any contract for less than two years.

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[fol. 7520] Q. Do you have the revenue figures for the last five years?

A. Not broken down into each category, because we just didn't have that type of thing. We have our total revenue since, I believe, 1957.

Q. What was your total gross revenue in 1957?

A. $87,369.81.

Q. What revenue did your company derive from its guard service in 1957?

A. I can't tell you. I didn't know that I was to have that prepared.

Q. Can you call your office and find out for me? We have [fol. 7521] got to have that information.

A. The gross revenue, is that correct?

Q. Yes.

A. I'll attempt it. I think it may be done.

(A recess was thereupon taken.)

By Mr. Conkling:

Q. Now, sir, according to Defendants' Exhibit 2, your gross revenue——

A. (Interposing) That is incorrect. The girl gave me some figures, and I had her correct it, which I have on this sheet, if you don't mind.

Q. Yes, go ahead.

A. Now, before I give you this, is it necessary that you know my gross profit? I don't think anybody should know.

Q. If you really feel tender about it, I am not going to press you for it. But I will ask you to tell me whether the business is profitable and how the trend of profit has been, whether it has been increasing or decreasing.

A. Yes, sir.

Q. I will be satisfied with that.

A. Good enough. What do you want to know first?

Q. Your gross revenue from your alarm business in 1957. I take it that is the earliest year.

A. I did give that figure once, did I not? $87,369.81.

Mr. Levy: Is that solely from the alarm business?

A. That is the alarm division.

[fol. 7522] By Mr. Conkling:

Q. And that includes all of your alarm accounts?

A. That includes all categories of alarm that we are furnishing.

Q. All right, sir. Go ahead. 1958.

A. $89,607.08.

Q. Check.

A. 1959, $93,170.94.

Q. Check.

A. 1960, $145,542.13. 1961, $104,786.

Q. Now, do you happen to have any figure there for either the six months of 1962 or the first nine months?

A. I don't.

Q. Can you estimate for me, based upon anything you know about your operations through the first nine months of 1962, whether your income would be about the same, your gross revenue about the same, or more or less?

A. It is my belief from seeing the monthly cash book and so forth that we are about holding even with 1961.

Q. So that according to your notes on Defendants' Exhibit 2, the total of $8,646.12 for the month of August 1962 projected through the year——

A. (Interposing) Would be somewhere near, yes. Months can vary slightly in the industry; not too radically, of course.

Q. Is it a seasonal business, you mean, in that way?

A. Not necessarily. Installationwise, it has been my experience that July and August are our two slowest months. [fol. 7523] However, your monthly service should not cut off rapidly, because that is a month-to-month deal.

Q. Are these gross revenue figures that you have given me inclusive of the revenue derived from installation charges?

A. These that I have given you on this sheet, yes.

Q. They are a total, then, of installation plus service charges?

A. Installation, repairs, additional installations to current accounts, any moneys that we have taken in through the burglar alarm division.

Q. Including service charges, of course?

A. Including service, everything.

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[fol. 7524] Q. Now, have you brought with you some numbers showing the number of your accounts for each of the years in question? I realize you have told me about the 1,109 current alarm accounts. Do you have numbers for each of the years back through 1957?

A. No.

Mr. Conkling: Off the record.

(Discussion was had off the record.)

By Mr. Conkling:

Q. Mr. Carpenter, we have just discussed briefly off the record the question of the number of your accounts for each of the years going back through 1957, and I understand that you are not able to give me those specifics. Can you tell me this: Has the number of your alarm accounts increased over the last five years, or has the number decreased, or has it remained the same?

A. Well, I believe that up until about the year 1960, that we did have a gradual increase. I believe for the year 1961 we had a slight decrease, and in this year I am hoping to hold even with 1961.

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[fol. 7525] Q. All right. Is your central station approved by any rating organization?

A. No, sir.

Q. Have you ever sought approval?

A. No, sir, not to my knowledge, not since I have been in charge, and not to my knowledge in my association with the company.

Q. Then I take it that none of your central office accounts are certificated. Is that correct?

A. That is correct, except in the manner that they may be [fol. 7526] in combination with a local classified alarm. Then it is designated as a Grade A, Class 3 local alarm with standard central station hookup.

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[fol. 7527] Q. All right. Has the business been profitable over the period you have been with it?

A. I would say yes.

Q. What is the trend of profit?

A. The trend of profit is, shall we say, quite dormant from 1957 through 1959; 1960 and 1961, it did show an increase in profit.

Q. When you say dormant from 1957 to '59, you mean the rate of profit was about the same?

A. Very nearly so, yes.

Mr. Levy: Just to clarify this in my own mind, you have stated the profit increased in 1961?

A. '60 and '61.

Mr. Levy: Despite the fall in gross revenue, or do I have an error here in my arithmetic?

[fols. 7528-7529] A. That is correct.

* * * * * * *

[fol. 7530] Q. From what sources do you obtain the equipment you need for the operation of your business?

A. Well, there are several. Name of company sufficient?

Q. Yes.

A. Ademco.

Q. Just run off as many as you can think of.

A. Fruh, Chicago Local, Spies Electric, Potter, Marathon Battery, Union Carbide, Rite-Star Industries.

Q. And I take it there are others besides those you mentioned?

A. In small categories as to screws and nuts, even some local suppliers.

Q. The names you mentioned have you generally used over the period that you have been with the company?

A. Yes.

Q. Have you had any difficulty at any time in obtaining parts you need or equipment you need?

A. From any of these suppliers?

Q. From any source, yes.

A. I have had no difficulty.

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[fol. 7531] Q. Now, we talked a little while ago about the provision in your contract that keeps ownership of the equipment in your company, retention of title. What is the practice of your company upon the termination or cancellation of a contract, with respect to the equipment? Do you remove it?

A. Yes.

Q. So far as you know, is this customary in the alarm industry?

A. As far as I know, it is.

Mr. Levy: When you say equipment, Mr. Conkling, do you mean everything installed on the subscriber's premises?

By Mr. Conkling:

Q. Well, it may shorten the cross-examination.

Is there anything you install, Mr. Carpenter, that you do not remove at the termination or cancellation of the service contract?

A. Well, certain small parts that may have become worn, it is our prerogative to remove or not remove; and foils, wires, and small contacts that may be worn and we consider worthless, we don't put the time into it to remove or destroy.

Q. Now, what is your standard procedure when a customer calls and inquires about a form of service, or would you go to solicit business? Do you make a survey? You tell me briefly what you do to reach a quotation for a price.

A. Well, naturally, I first try to convince the customer [fol. 7532] that I have something he needs that will be beneficial to him.

Q. And then he says, "How much?" I take it.

A. That's right; and the only way you can arrive at that, of course, is to survey the premises.

Q. Do you ever quote a price without surveying the premises?

A. With very few exceptions have I ever run into any two jobs that were exactly the same.

Q. Do you make an installation charge?

A. Yes, sir.

Q. How do you compute your installation charge?

A. On the amount of work that I think will be necessary to install the burglar alarm.

Q. Do you consider the cost of the equipment?

A. Only as I get into Grade A equipment.

Q. Is overhead a factor?

A. Overhead in the alarm division, you mean?

Q. Yes.

A. No.

Q. Is profit a factor?

A. Are you talking about installation per se?

Q. Yes.

A. No.

Q. What are the factors you consider in fixing your service charge?

A. The amount of labor that will be necessary to install a given burglar alarm.

[fol. 7533] Q. Any other factors, such as overhead or profit?

A. No.

Q. Well, do I understand that the amount of labor is the only factor you consider in computing both your installation and your service charge?

A. No. In my service charge, I must take care of my overhead, my sales cost, my equipment.

Q. And hope to make a little money?

A. And some profit, we hope.

Q. Do you ever prorate the collection of your installation charge over a period of time?

A. I have done so, as near as I can recall, only once, and that was quite recently.

Q. Let me get this straight. On your installation, you say you consider the amount of labor, but that you do not consider the cost of the equipment except in your Grade A, Class 3, installations. Is that right?

A. Yes, sir.

Q. You don't consider the cost of equipment in any of your central station——

A. (Interposing) I stated that in the central station, the transmitter is so expensive that I do like to get a little additional above labor for my installation. I was thinking primarily of local alarm.

Q. How about your direct-connected service?

[fol. 7534] A. That's what I'm talking about, the transmitters of the central office alarm.

Q. Do you sell any proprietary systems or service any proprietary systems?

A. No, sir.

Q. If a customer should ask you whether he may pay the installation charge over a period of time, will you permit it?

A. With rather rigid limits.

Q. What limits?

A. If a person wants time, my most usual approach will be to say that we will take half of it now and the balance in thirty days.

Q. Do you occasionally depart from those rigid limits?

A. I have occasionally.

Q. What is the longest time?

A. I just recently sold a man an alarm prorating his service charge over a period of twelve months—prorating his installation cost over a period of twelve months. That is only because some of my competition has gone to doing that, and if I was to get the job, that was my only way.

* * * * * * *

[fol. 7535] By Mr. Conkling:

Q. Are there other companies in the city of Detroit that provide alarm services?

A. Yes, sir.

Q. And has the number of those companies over the last ten years increased?

A. I don't believe so.

Q. Do you know how long the ADT Company has been here in Detroit?

A. No, sir.

Q. Has it been a long time?

A. Yes, sir; a long time by my terminology, anyway.

Q. What are some of the other companies you have in mind who provide alarm services?

A. Automatic, Certified, Guardian, Michigan are the only ones that come to my mind.

* * * * * * *

[fols. 7536-7538] By Mr. Conkling:

Q. The companies which you have just mentioned, are these the companies that you run into in your day to day efforts to do your business, to sell your services?

A. Yes, sir.

* * * * * * *

[fol. 7539] Q. Do you encounter competition from those who offer patrol service or watchman service in your efforts to sell your alarm systems?

A. I presume that there is an area of overlapping somewhere in the way wild blue yonder.

Q. Well, the reason for that question, Mr. Carpenter——

Mr. Levy: (Interposing) I wish you would let the witness finish answering the question.

Mr. Conkling: He has answered the question.

Mr. Levy: No, he has not. He has not finished. You stopped him.

Mr. Conkling: No, he has answered the question.

Mr. Levy: Let the record show that I object to Mr. Conkling halting the witness in his testimony before he has finished the answer to the question.

Have you finished the answer to the question, Mr. Carpenter?

A. I intended to continue.

By Mr. Conkling:

Q. Go ahead. Just don't go too far off into the wild blue yonder.

A. The two services are so different in the protection that [fols. 7540-7541] they offer, shall we say, or for the purposes for which they are intended, that I feel one is no competition to the other whatsoever.

* * * * * * *

[fols. 7542-7543] Q. Have you made efforts to convert your local standard alarm accounts into central station accounts?

A. We do include a little pamphlet in the billing stating that we furnish that service and we consider it to be a better service.

Q. What has the response been?

A. Very poor.

Q. Those who have had local standard have stayed with it, generally speaking?

A. In most instances, they have, yes.

Q. Is competition in the field of protective service increasing in this city?

Mr. Levy: I object to the form of the question.

By Mr. Conkling:

Q. Answer the question.
A. Definitely.

* * * * * * *

[fol. 7544] Q. Over the last eight years—I'm talking about your time with the company, Mr. Carpenter—how many of your central station accounts have gone over to local standard or local Grade A, Class 3, service?

A. I can recall a couple only, about two. One of them is no longer with us in any category.

* * * * * * *

[fol. 7545] Q. Have you ever resubmitted a second bid in soliciting an account, Mr. Carpenter?

A. Yes, sir.

Q. And I take it that your competitors have done likewise, in your experience?

A. Indeed.

Q. Is there anything unusual about resubmitting a bid, in your experience?

A. Well, I don't think it is a rarity.

Q. You don't think it is a rarity?

A. It kind of goes with competitive business, I believe.

* * * * * * *

[fol. 7546] By Mr. Levy:

Q. Mr. Carpenter, is your central station company accredited to provide either certificated burglar alarm or fire [fol. 7547] alarm services of any kind?

A. Yes, sir.

Q. I am not speaking of local credits——

A. (Interposing) You said of any kind.

Q. I'm sorry. I'm speaking now of central station services which are accredited.

A. No, sir.

Q. Now, does the fact that your company cannot provide accredited central station services place you at a competitive disadvantage?

A. Yes.

Q. Would you elaborate on your answer, please?

A. Pure and simple. If there is a service being sold which you cannot sell, you are at a disadvantage. Plus I suppose a certain amount of loss of prestige in the overall picture for not being able to provide that particular service.

Q. How many fire alarm customers do you have, Mr. Carpenter?

A. One, I believe.

Q. Is this attributable to the fact that you cannot provide certified fire alarm services?

Mr. Conkling: I object to the form of the question as leading. Why don't you ask him what it is attributable to, if he knows?

If you know the answer, Mr. Carpenter.

Mr. Levy: I am going to strike my question.

Mr. Conkling: Thank you.

[fol. 7548] By Mr. Levy:

Q. Because your central station cannot provide accredited central station fire alarm services—and I speak now of sprinkler supervisory and waterflow alarm services and automatic fire alarm services—does that place you at a disadvantage competitively?

Mr. Conkling: I object to the form of the question as no foundation having been laid for it.

By Mr. Levy:

Q. You may answer the question, Mr. Carpenter.

A. It does.

Q. Would you explain how it does?

A. Well, because of the large number of so-called package deals that are sold in the industry.

Q. Would you explain what you mean by package deals?

A. A customer requiring a full line of electrical protection in the line of sprinkler, automatic fire alarm, burglar

alarm, tour system, or any other protection I believe would prefer to obtain all from one source. Therefore, it, I think, precludes those companies who do not furnish all from getting a bid on any part of it.

* * * * * * *

[fol. 7549] Q. Did an insurance agent ever refer a potential certified central station burglar alarm subscriber to you?

A. Yes.

[fols. 7550-7551] Q. Were you able to service him?

A. No.

Q. Has that agent since called you again?

A. Not in my recollection.

* * * * * * *

[fol. 7552] Q. During the period 1954 to date, how many of your former local burglar alarm subscribers have changed to central station with your company or any other company?

A. Well, there is a lot of them. In the neighborhood of fifteen or twenty.

Q. Now, during this same period, how many of your central station subscribers have changed to local alarm service with your company or any other company, to your knowledge?

A. I can recall only two.

Q. Could you place in relative terms for me the average cost of installation and service on a local alarm service as compared to that on a central station alarm?

A. All things being equal, the building being the same size, same amount of openings—in other words, let's say an identical building—the installation cost for a central [fol. 7553] alarm would be approximately $75 more than a local alarm.

Q. What would the local alarm be in the building you are thinking of?

A. Well, I haven't thought of any particular building.

Q. Well, would you think of a particular building and give me the——

A. (Interposing) We currently have a minimum of $30

an installation of a local alarm. I would want a hundred and a quarter, $105 to install a comparable central station alarm.

Q. And what would your service charge be on those two alarms?

A. On the local alarm, it would probably be $7 a month.

Q. On the central station alarm?

A. On the central station alarm, it would be $10 more than that plus my line cost.

Q. Do you know the largest installation charge and annual service charge which your company has ever received for a central station burglar alarm system?

A. I can't state this in the exact dollars. It would be very close to $570 installation, annually about $648. We go by monthly rates always. We quote no annual rates.

Q. What is your average, if you can give me an average, installation and service charge on the majority of your central station alarms? Do a large percentage of them, in other words, fall into a certain price category?

A. They go from here to there. I would say that our average, and I would have to guess——

[fols. 7554-7556] Mr. Conkling: (Interposing) I move to strike the answer as being a guess.

A. It would have to be a pure guess, but we install central station burglar alarms, I have installed them as cheaply as $90 installation to the maximum that you heard—most of them would be more near to the $90 figure than they would to the higher figure.

By Mr. Levy:

Q. And service, comparing your average service now to your higher figure?

A. Our minimum is $20 per month, which would figure out at what?

Q. $240 a year.

A. $240 per year. I would say that we have very few of them that bring us four hundred a year.

Q. What would your average local alarm installation and service charge be?

Mr. Conkling: Same objection.

A. The only way that I could answer that accurately would be to say that in my first year of selling alarms, I did sell just over a hundred alarms. I took the pains to average my monthly service on them, and it averaged right around eight and a half per month.

By Mr. Levy:

Q. And the installation charge?

A. That I couldn't tell you. At that time I was selling for a minimum of $55 per alarm.

* * * * * * *

[fol. 7557] Q. How frequently does your company inspect local alarm systems of the subscriber?

A. We only inspect standard local alarms as requested by the subscriber.

* * * * * * *

[fol. 7558] By Mr. Levy:

Q. Will you sell a local alarm system outright if the subscriber so desires?

A. Yes.

Q. Will you sell outright the central station installation on the subscriber's premises if he so desires?

[fols. 7559-7562] A. No, sir.

Q. Will you tell me why, sir?

A. Primarily because we must supervise this alarm in all of its aspects, and the equipment surely is worth nothing to the gentleman if he doesn't have some place to terminate it, being our office, or our central alarm board.

Q. You may have misunderstood my question. Let me rephrase it.

Will you sell this equipment installed on the subscriber's premises outright to him if he signs a maintenance and service agreement with your company, if he so desires?

Mr. Conkling: That's a new question.

A. I would. I haven't.

By Mr. Levy:

Q. I am asking you if you would.
A. I would.

• • • • • • •

[fol. 7563] Q. Did you offer to amortize your installation cost over a ten-year period?
A. No, sir.
Q. Why not?
A. I didn't know that that was what they were interested in.
[fol. 7564] Q. Would you have?
A. I would have if the installation cost was attractive enough that it would compensate me for waiting that long for my money.
Q. Was this particular installation not attractive?
A. Not at the price I quoted him. If I was going to spread it over a ten-year period, I would have had to have some more money.
Q. What price did you quote at?
A. I can't tell you that, but I know that I wouldn't have quoted him a price for cash that I would for a ten-year period.
Q. Does your company as a matter of policy spread the installation charge over a period of years?
A. No, sir.
Q. Can it afford to do so?

Mr. Conkling: I object to the form of the question.

A. In small and isolated instances, we could; not surely on our overall picture.

• • • • • • •

[fol. 7564a] Q. Based upon your experience in the alarm business here in the city of Detroit, does your company have the same prestige that the ADT Company has?
[fol. 7564b] A. No.
Q. Does this place you at a competitive disadvantage?

Mr. Conkling: I object to the form of the question.

A. Yes.

By Mr. Levy:

Q. Would you elaborate on your answer, please?

Mr. Conkling: I repeat my objection.

A. We never receive calls from national people moving into town because they have been using ADT in their parent and other branches——

Mr. Conkling: (Interposing) Have you finished?

A. I will finish there.

Mr. Conkling: Would you read the question back to me, just the question before would he elaborate.

(The question was read by the reporter.)

By Mr. Levy:

Q. Are you finished answering my last question?

A. There are many things over which we and ADT have no control. They have been here so much longer than us. They furnish so many necessary facilities that we don't. They are looked upon as Mr. Burglar Alarm.

Mr. Levy: I have no further questions.

Mr. Conkling: Go ahead, Mr. Carpenter.

A. That in itself precludes us being called in many instances. Whether it helps or hurts their case, that's the situation.

* * * * * * *

[fol. 7564c] By Mr. Conkling:

Q. Do you know whether the Michigan Burglar Alarm Company is an approved company?

[fol. 7564d] A. Yes, sir.

Q. Does it offer all of the services that the ADT Company does?

A. I have been told that they do, but this I don't know. I do know that they offer certificated central office alarm service. There are so many categories and so forth that I wouldn't say that they do blanket the entire field; but I have been told that they offer any service you do.

* * * * * * *

[fol. 7565] DEFENDANTS' EXHIBIT 2 TO EXHIBIT W22A

DAWN PATROL
Founded 1930
Detroit 24, Mich.

Uniform Division
Factory Patrol and
Watchman Service

Alarm Division
Burglar Alarms for
Shops and Stores

Headquarters
15101 Mack Avenue

Telephone
Tuxedo 5-9041

Services Furnished:

(A)	Central Office Alarms:	119
	Police Station	23
	Local (Standard)	932
	Local (Grade A. Class 3)	35
	Total	1,109

(B) Revenue Derived from Month of August 1962

Central office:	3,541.23	Less 8% Tax
Locals:	5,104.89	
Total	8,646.12	

(C) ?
(D) Refer T (A)
(E) Ademco, Potter, Fruh.

(G)	1957	Gross:	$87,369.81	Net:	$ 4,511.42
	1958	"	89,607.08	"	$ 4,924.14
	1959	"	51,333.87	"	$ 9,873.42
	1960	"	56,487.82		
	1961	"	74,864.00	"	$21,412.00

[fols. 7566-7569] DEFENDANTS' EXHIBIT 4 TO EXHIBIT W22A

DAWN PATROL
Founded 1930

Business Phone ——

Burglar Alarm Contract made this ———— day of ————, 19— by and between the Dawn Patrol, hereinafter called the "Contractor", and ———— hereinafter called the "Subscriber".

The Contractor agrees to equip, or cause to be equipped, the premises of the Subscriber at (address) ———— (City) ————.

Type of Service ————

The Subscriber hereby authorizes and empowers the Contractor, its agents or assigns, to install and maintain the aforesaid systems in said premises and to make inspections, tests and repairs to the systems, and further, to make any changes in or alterations to the systems made at the request of the Subscriber or made necessary by any changes in the Subscriber's premises, property or equipment, after the original installation has been completed at the cost of the Subscriber. The Subscriber agrees to furnish any necessary electric current through the Subscriber's meter and at the Subscriber's own expense. It is mutually agreed that the work of installation and the Contractor's periodic inspections and tests of the systems shall be performed between the hours of 8 o'clock, A.M. and 5 o'clock P.M., exclusive of Saturdays, Sundays, and holidays.

It is understood and agreed that the Contractor may remove or upon written notice to the Subscriber, abandon said systems, in whole or in part, including all devices, instruments, appliances and all cabinets, cables, conduits, connections, foils, screens, springs, tubing, wires, and any other materials, associated therewith, upon termination of this agreement by lapse of time, default in the payment of any moneys due hereunder, or otherwise, without any obligation to repair or redecorate any portion of the Subscriber's premises upon removal of the Contractor's sys-

tems, and that the removal or abandonment of the systems as aforesaid shall not be held to constitute a waiver of the right of the Contractor to collect any charges which have been accrued, and one-half the balance of the contract period with reasonable Attorney fees shall be paid by the Subscriber.

The Subscriber agrees that he will not abandon, or remove, or repair, or request anyone save the Contractor to remove or repair the above mentioned Burglar Alarm System, or apparatus attached thereto, or being a part thereof; and the said Subscriber agrees to compensate and pay all damages that may arise out of the removal or repair of said Burglar Alarm System or apparatus forming a part thereof by any other save the Contractor. At the termination of this contract or at the time of vacating of the above mentioned premises by the Subscriber, the Subscriber agrees to return to Contractor, or assume responsibility for above apparatus in a sum not to exceed actual value thereof which will not exceed the sum of Two Hundred Dollars.

The individual names and signatures of all persons authorized to enter premises during closed periods shall be furnished to the Contractor. Irregular entry of premises will be countenanced by the Contractor on receipt of notice to that effect and upon proper identification of parties concerned. A fee of Three Dollars ($3.00) will be charged for each false alarm created by the Subscriber.

The Contractor does not guarantee the continuity of its service due to causes beyond its control or of Riot, Strike or Acts of Providence.

The Contractor will furnish a weekly written report indicating time of irregular entry of premises for the preceding week and will on request furnish a written weekly report giving the regular opening and closing time of each day of the preceding week.

An inoperative System due to failure of Subscriber to notify Contractor of the need of repairs does not constitute a breach of Contract on the part of the Contractor nor does it waive Contractor's rights to the accrued monthly rental under the contract.

If any new or increased charges for use of Telephone or Telegraph or other wires, or any new or increased taxes or

license fees (other than direct taxes upon the value of the physical installment and equipment owned by the Contractor) shall be hereafter charged, levied against or imposed upon the Contractor, or its business or any phase thereof, the effect of which shall be to increase to the Contractor the cost of performing this agreement, the calculated amount of the monthly installments payable by the Subscriber, shall be proportionately increased and, as so increased, shall be promptly paid by the Subscriber.

The Contractor is not an insurer hereunder and is not liable for delays caused by strikes, causes beyond its control or destruction of its Station, equipment or installation, and the payments hereunder are based solely on the value of the service in the operation of the system, but in the event of its failure to perform its obligation hereunder, resulting in a loss to the Subscriber, the Contractor's liability is limited to the sum of Fifty Dollars ($50.00) as liquidated damages, and not as a penalty, and this liability shall be exclusive.

The Subscriber agrees to pay the contractor or its agents the sum of _____ when installation is completed, and to pay in addition as rent for possession of the said apparatus the sum of _____ per month quarterly in advance from the date such system is installed until the termination of this contract which is to run for a period of _____.

This contract and rental agreement expires on the first day of _____, 19 —.

Eight per cent (8%) Federal Excise Tax will be added to all monthly service charges of Central Station and Police Station alarms.

This contract shall remain in full force and effect after the expiration date, of said contract thereof, but may be terminated after expiration date upon thirty (30) days written notice, by registered letter, given by either party hereto to the other.

The Subscriber cannot assign this Contract until after Dawn Patrol shall in writing have consented to its assignment.

This Contract is not binding unless approved in writing by an executive of the Company described as Contractor.

There are no verbal understandings, changing or modifying any of the terms of this contract.

Accepted by the Subscriber:

Name_____ Approved by the Contractor
Address_____ Dawn Patrol
Phone_____
By_____

[fol. 7570] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT W23A

UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION, AMERICAN DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE COMPANY AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

Be It Remembered that, pursuant to notice and subpoena, and on Thursday, the 2nd day of November, 1961, commencing at the hour of 2:00 p.m. thereof, at the offices of Messrs. Pillsbury, Madison & Sutro, Standard Oil Building, 225 Bush Street, San Francisco, California, before me, ARLENE NEWITT, a Notary Public in and for the City and County of San Francisco, State of California, there personally appeared GRANT RICHARD HAMILTON, called as a witness herein, who, being by me first duly sworn, was thereupon examined and interrogated as is hereinafter set forth.

* * * * * * *

[fol. 7571] Examination by Mr. Fritz.

Mr. Fritz:

Q. Would you state your full name and your home address, Mr. Hamilton.

A. It is Grant Richard Hamilton, and the home address is 28 Cortland Avenue.

Q. What is your occupation, Mr. Hamilton?

A. Well, I am an electrician by trade, but I am half-
[fol. 7572] owner of the business Day & Night Burglar Alarm Company.

* * * * * * * *

Mr. Fritz:

Q. Now, you said that your background was as an electrician, but that you were half-owner of a business.

What business do you refer to?

A. The Day & Night Burglar Alarm Company.

Q. And where is the Day & Night Burglar Alarm Company's place of business?

A. 289 Bayshore Avenue, San Francisco.

Q. Is that a corporation or a partnership, or is it owned by two people, as you indicated a moment ago?

A. It is owned by two people. It is a company.

Q. A partnership?

A. A partnership, yes.

Q. And the name, Day & Night Burglar Alarm, is that a registered name?

A. Yes, it is.

Q. Where is it registered, with the State or——

[fol. 7573] A. I would have to look that up, but I think it is the State.

Q. Yes. Who is the owner of the other half, or who is your other partner?

A. My brother, Lloyd Hamilton.

Q. Your brother, Lloyd Hamilton.

A. Yes.

Q. And are there any other people interested in the business besides you two?

A. No, there isn't.

Q. That is, financially interested, right?

A. That is right.

Q. Do you have anybody else working for you besides you two?

A. Yes. I have another brother, Russell Hamilton.

Q. And anyone else?

A. No.

Q. Just the three of you?

A. That is right.

Q. When was that business established?

A. I think it was 1949; either the latter part of '48 or the first part of '49. I am not positive.

Q. Did you have some training in the electrical field before that time?

A. I did, but not in the burglar alarm field.

Q. What kind of training had you had?

A. I completed a four-year apprentice course at Hunters Point Naval Shipyard.

Q. As what?

A. As an electrician.

Q. Yes.

[fol. 7574] A. Then I went to work there one more year as a journeyman.

Q. And from there you went into this business with your brother?

A. Then I went into business with my brother Lloyd.

Q. What is your brother Lloyd's background?

A. Well, he worked for the American Burglar Alarm Company here in San Francisco.

Q. That is a company engaged in the furnishing of protective service here in San Francisco.

A. Yes, it is.

Q. How long had he been with that company before he and you purchased the Day & Night Burglar Alarm Company?

A. I don't know.

Q. Some time before that, I take it?

A. Yes.

Q. Has your place of business always been where it is now?

A. No, it has not. We was operating at 28 Cortland Avenue.

Q. How long is it, approximately, since you have been at 289 Bayshore Boulevard?

A. A year ago last April.

Q. Now, back in '48 or '49, when you started your business, how many customers did you start with, approximately?

A. Gee, I don't know. It would be under 25.

Q. Yes. What is the nature of the service which your [fol. 7575] company provides?

A. Burglary protection.

Q. Is it of the local type or the central station type?

A. Yes, it is the local type.

Q. Only the local type?

A. Yes. Well, except with one exception. In Daly City we have four, I think it is four alarms, in the police station.

Q. Four connected between subscribers' premises and the police station?

A. To the police station. That is in Daly City.

Q. Direct in Daly City?

A. In the Daly City Police Station, right.

Q. Is that the only place where you have that type of service?

A. Yes, it is.

Q. All of your other customers, then, are purely local burglar alarm subscriber customers. Is that correct?

A. That is right.

Q. Now, when I use the term "local burglar alarm protective service" I am referring to the type in which an actuating device is put on a subscriber's premises, and in case of intrusion it rings or gives some sort of alarm on the outside of a subscriber's premises, but is in no way connected with any other station in which signals are received.

Is that the sense in which you use the words "local burglar alarm service"?

[fol. 7576] A. I would say so, yes.

Q. Well, let me be clear about it.

Are your local burglar alarms installed on subscriber's premises, and do they sound an alarm only on those premises?

A. Yes, they do.

Q. And they are not connected with anything. Is that correct?

A. That is right.

Q. And is that the nature of the service, the kind of service you have been providing ever since you started back in 1948 or '49, except for these four instances in Daly City?

A. Except for those four instances, that is it.

Q. Now, how many subscribers to local burglar alarm service do you now have, Mr. Hamilton, that is, your company?

A. The company at the present time is between—now, the reason I have to say this is because we wouldn't know until the end of the month——

Q. Yes.

A. —we are between 694 to 700, we are in there. I couldn't give you the exact number right now.

See, we have cancellations at the 15th and 21st, and then they don't cancel, they say, "Let me ride for another week, because I want to stay for a while."

That is why I don't know.

Q. Well, you have approximately 700?

A. I would say close to 700.

Q. How many years is it that you have had approximately 700 subscribers?

[fol. 7577] A. Well, last year, January the 1st, we had 715.

Q. Yes. And the year before that, do you remember?

A. Oh, I would say six hundred and—between 650—I would just guess, now——

Q. Yes.

A. —I would say between 650 and 700, because we find the more alarms you have, why, the more you lose, and so you have to put a lot more in to keep what you have.

Q. In other words——

A. In other words, we have reached saturation point, so to speak.

Q. In other words, you have expiration of contracts and you have the taking on of new contracts. Right?

A. That is right.

Q. And sometimes the new contracts offset the loss, and sometimes they don't, I take it. Is that right?

A. That is right.

Q. But in the last three or four years the number has ranged from between 650 up to about 715, I think you said. Is that right?

A. 715, that is right.

Q. Then for all the years back of that, to 1948 and '49, I suppose they ranged in lower figures down to your starting number of around 25. Is that right?

A. Yes, it is. When we first went into business we was [fol. 7578] able to accumulate more alarms per year. In other words, we would gain up to a hundred alarms in a year's time.

Q. Yes.

A. But as we put jobs in we would get a lot from maintenance work and it would sort of—well, we didn't go into trying to sell jobs as much—in other words, we just took the calls.

Q. You just took the calls. I don't quite understand that.

A. That is after, oh, I would say the last three years, just calls that came in, we would make these estimates, where before I promoted the business quite a bit.

Q. Is that what you meant by saying before that you had about reached the saturation point?

A. Well, what it amounts to is we could handle more than what we have, and we don't know how many that would be, but it makes a difference on your—the weather—I mean, we have had nice weather, so we don't have the storms, when you don't have so much trouble with your alarms. Sometimes we can handle more alarms, but it depends, you know.

We have to hire through the union hall, you know, and your rates are pretty high, so——

Q. But when you said you had about reached your saturation point, did you mean that you have about all the accounts that you can now handle with the three brothers working on it?

A. With the three fellows, that is what I meant, that is [fol. 7579] right.

Q. Now, what has been your approximate gross revenue for the past year?

A. Well, I have that here.

Q. You can just read the figures.

A. Do you want to start with '55?

Q. All right, if you have it, sure.

A. 1955 we grossed $39,049.00.

Q. Yes.

A. And our profit was $17,852.00.

Q. Yes.

A. In 1956 we grossed $43,853.00, and our profit was $20,673.00.

In 1957, $48,525.00; profit was $27,533.00.

In 1958, $51,022.00; profit was $28,881.00.

In '59, $52,561.00; and the profit was $30,002.00.

In 1960, $57,104.00; and the profit was $24,484.00.

We don't have the 1961.

Q. Yes. All right.

You can correct me if I am wrong, but I take it that what seems to be a fairly high profit from your gross return arises primarily out of the fact that there are just the three of you there who do all of the work that is involved in the furnishing of this service. Is that correct?

A. That is exactly right. We don't hire anybody around-the-clock, like that; we take turns taking 24-hours service. [fols. 7580-7581] so to speak.

Q. Yes. Now, when you came into San Francisco starting your business in 1948 or '49, were there any companies in San Francisco then providing protective service of any kind?

A. Yes, there was. There was the Argus Burglar Alarm.

Q. The what?

A. The Argus.

Q. The Argus.

A. A-r-g-u-s.

Q. Is that a local service, or is that a central station service?

A. Yes, it is, it is just a local service, as far as we know. Central—I don't know about that.

Q. Yes.

A. Then there was of course the ADT, and then the American Burglar Alarm.

Q. Just those three?

A. Well, if there was anyone else, why, I don't know who it would be.

Q. Those three companies of course I know. ADT is in business today here.

Are the other two in business today, Argus——

A. The American Burglar Alarm is, and the Argus Burglar Alarm is.

Q. Argus still is?

A. Yes.

* * * * * * *

[fol. 7582] Q. Now, based upon your experience since 1948 or '49 in the fu. iishing of local burglar alarm service, Mr. Hamilton, in your opinion is local burglar alarm serv-

[fols. 7583-7585] ice an efficient means for the protection of property?

A. Yes, it is.

* * * * * * *

[fol. 7586] Q. Yes. Do you use any written form of contract in connection with the service you render?

A. Yes, we do. I have a blank form here. There is writing on the back of it. I guess I have another one here.

Mr. Fritz: I ask that this form of contract be marked Defendants' Exhibit 2 for identification.

(Thereupon the document above referred to was marked as Defendants' Exhibit No. 2 for identification.)

Mr. Fritz:

Q. I notice in this form of contract, Defendants' Exhibit 2, Mr. Hamilton, a provision that the equipment and apparatus on the subscriber's premises shall at all times remain solely and entirely the property of the company.

A. That is right.

Q. For how long has that provision been in your service contracts?

A. That was our original contract.

Q. Going back to '48 or '49?

A. When we first started in business, that is right.

Q. And it is in effect today?

A. Yes, it is.

Q. The period of time in this contract is blank.

[fol. 7587] What is the usual period?

A. One year.

Q. Then it provides that after the expiration of that, which is a blank period here, a one-year period, the service may be terminated upon 30 days written notice given by either party.

Do you have many subscribers who originally took the one-year contract and who have continued to be subscribers of yours for a good many years?

A. Yes, we do.

Q. How far back would you say some of your subscribers go in period of time?

A. Well, I could safely say back in 1950—I think I could. The Great Highway Market, I think we had those since 1950.

. . . . . .

Q. Now, is your service or equipment approved by Underwriters Laboratories?

A. The Average alarm we put in isn't.

Q. Isn't?

A. No.

[fols. 7588-7590] Q. When you say the average alarm that you put in isn't, do you mean by that that you have some which are approved?

A. Yes, we do.

Q. Approximately what percentage of the total of your service is approved?

A. Well, let's say—I didn't check that figure when I left, I am sorry to say, so I would have to guess.

Q. Yes.

A. I would say we had about five, possibly six, certified alarms.

Q. Out of the total of approximately 700?

A. Yes.

Q. And is that percentage, say five or six out of approximately 700, is that about the ratio of approved throughout the years back?

A. I would say so, yes. We have always had to have two in order to be certified, you see.

Q. Yes.

A. And we have had only about three, possibly four, over

the years; and I would say on the outside we have six now at the very most.

. . . . . .

[fol. 7591] Q. You purchase the gongs, I suppose, from——

A. We purchase the gongs from a company in New York, Brooklyn, New York. I forget the name of it.

[fol. 7592] Q. Ademco, A-d-e-m-c-o?

A. That is right, that is who it is.

Q. Have you dealt with them for a long time?

A. I think we have dealt with them ever since we have been in business.

. . . . . .

Q. What are the elements that you take into consideration in forming the installation charge? I am not asking [fol. 7593] the amounts now. Just what do you consider—

A. The physical elements of the building, you mean, how we figure it?

Q. No. What are the elements that you put into the charge that you make for installation? Labor, I suppose, is one of them. Right?

A. Yes.

Q. And what else?

A. Yes, there is labor, and—well, mostly labor, I would say. There could be some material that you can't remove, like wiring, but that would be minor. It would be mostly labor, yes.

Q. By wiring and material that you can't recover, I would assume that you are talking pretty much about foil and wiring that it doesn't pay to recover at the expiration of the subscriber's contract. Is that right?

A. That is right.

Q. You think perhaps the cost of that plus labor are the two elements that go into making your installation charge. Is that right?

A. I would say so.

Q. And how about your service charge?

A. Well, our service charge varies.

Q. Yes.

A. If a person has one door, why, we don't charge that person the same price that we would charge a man that had 15 doors. You see what I mean.

[fol. 7594] Q. Yes.

A. It depends upon the service, and that also in turn depends upon the installation.

Q. Well, I suppose the nature of an installation depends upon the subscribers' premises and his needs, doesn't it?

A. That is right; and what maintenance we will have to perform once we set the alarm up for service, and it is pretty hard to judge that.

Q. Well, do some of these subscribers have more than one outside alarm on their premises?

A. We have about five or six, if I remember right, that does, they have two alarms on one ringing—one setting arrangement.

Q. But even on one alarm, one subscriber may have two or three points of contact that are protected, where another one might have five, six, seven or eight. Isn't that right?

A. That is right.

Q. And the amount of protective devices that you have to install obviously determines—and the maintenance in connection with that—determines to a large extent how much you have to charge. Isn't that right?

A. Yes.

Q. So essentially is it true that the nature of your installation, and the prices you charge for it, are pretty [fols. 7595-7597] custom-made or tailored to meet the subscriber's needs?

A. That is right. We have to base it on whatever type of alarm we put in, whether it is the contact only or whether it is the foil and the contact, or whether it is electric eyes, or whatever we are using, because there is certain functions that we have on the different types of alarms which have to do with the amount of service we have to perform.

* * * * * * *

[fol. 7598] Q. Have your installation charges and the service charges on the whole been increased any over the last ten years?

A. Yes. When we first put in the alarms we got $4.00

a month, plus the government excise tax of 32¢, which was 8%.

Q. Yes.

A. Since then, over the years the government excise tax has been discontinued and we have been getting——

Q. On this type of service?

A. On this type of service.

Q. Yes.

A. And we have been getting—we have been increasing our alarms in proportion to the increase of labor.

Q. So that what would you say would be the price of a situation in which back in '48 of '49 you charged $4.32 for?

A. Well, leaving out the excise tax, which would make it $4.00—because now we don't have to charge that——

Q. That is right.

A. —we did a job for $4.00 a month, and say $35.00 installation——

Q. Yes.

A. —where now it would be $7.00 a month and $75.00 installation.

Q. Yes.

A. In fact, we are putting one in right now that way.

[fols. 7599-7600] Q. I take it from what you told me before about prices fitting the particular circumstances of a subscriber's situation, you don't have any rigid schedule of prices or standard prices.

A. No. We base our price on the amount of profit we can make and the amount of help we have to have and just how much trouble we are going to have with that particular system.

Q. Yes. Now, over the years, and up to the present time, have you engaged in competition with the other companies that you mentioned heretofore, Argus, ADT and American —was it American Burglar Alarm?

A. Yes, American Burglar Alarm. Yes, we have.

Q. And have you from time to time, with respect to each one of these companies, bid against them for jobs?

A. Yes.

Q. And have you on occasions lost jobs to them, and have you on occasions taken jobs where they were the bidders?

A. We have, sir; but I don't know what per cent. I couldn't tell you what per cent.

Q. But you know that generally that has been the situation over the ye[illegible] is that right?

A. Oh, yes. It has been very competitive.

* * * * * * *

[fol. 7601] Q. Is your company a member of any protective service trade association of any kind?

A. Yes, we are.

Q. What is the name of it, do you know?

A. It is that big organization.

Q. National Fire and Burglar Alarm Company?

A. Let's see. National—that sounds like it. I should know, you know. They send us brochures.

Q. I'll tell you, we will leave a blank here, and you fill in the name. How would that be?

A. O.K. It is something like National—something like that.

(The trade association referred to above is National Burglar and Fire Alarm Association.)

Q. Do you take any active part in its affairs?

A. We attended a meeting at Palo Alto and talked over [fol. 7602] burglar alarms in general.

Q. Do you find at those meetings there are representatives of the local burglar alarm and central station burglar alarm companies?

A. Well, Hal Gray was there, the American Burglar Alarm.

Q. That is a central station company, is it not?

A. He is a central station company.

Q. Yes.

A. And there was companies from all over, like New York, Connecticut, all over. You know, they was all there, so far as I know, and they talked about all the different types of systems and where the equipment was available. And it was more or less an exhibit, too, of the type of equipment to be used, you know.

Q. Were there exhibits of various types of equipment there?

A. Yes, there was. You came in, and you saw the dif-

ferent types that is available on the markets, and the improvements over the years.

* * * * * * *

[fols. 7603-7605] Q. Does the American District Telegraph Company engage in the local bell type alarm business——

A. Yes, they do.

Q. —here in San Francisco?

A. Yes, they do.

Q. Have you seen local bell alarms that the American District Telegraph Company has installed here in San Francisco?

A. Yes, I have.

* * * * * * *

[fol. 7606] Q. Now, as I understand you, sir, you said your company is approved to install certificated local burglar alarm systems.

A. That is correct.

Q. How long have you had that approval from Underwriters Laboratories?

A. Sir, I don't know the answer to that. We have had [fol. 7607] it for quite a few years,

* * * * * * *

[fol. 7608] Q. And I think it was your testimony that you only had five or six burglar alarms that were certificated by the Underwriters Laboratories?

A. That is right.

Q. And approximately on those five or six certificated alarm systems, about what is your monthly charge?

A. About the same as the regular alarms.

Q. About what would that be?

A. I would say about, oh, I would say between—the old ones, of course, would be six, possibly, between six and eight dollars a month. I don't think they are any more than that. I would have to check that, but from six up, because those alarms was put in years and years ago when we first started out.

In other words, you say how long we have had it. Well, in other words, since we started having certified systems I would say—I would just have to guess on that, but it was before 1950, I think. I would just guess that. So those rates would still be the old rates, and we haven't increased the old rates to any great extent. It is the new rates, when the alarms were put in, we have to raise those rates.

* * * * * * *

[fol. 7609] Q. After some of your subscribers have suffered a loss from burglary, have any of those subscribers changed to a different type of protection service?

[fol. 7610] A. Sir, I don't recall anybody ever doing that. That is also a guess, now. That takes over a period of years.

Fellows will discontinue the alarm, we will take the alarm out. Possibly later on there will be another type system in there. Is that the reason? I don't know.

But I also don't know if they—I don't recall them having had a burglary and then later on having the alarm taken out and another put in. I don't recall that. Now, that could have happened, but I don't remember of it ever happening at all.

Q. Have you lost any of your local alarm accounts where your alarm was removed and central station protection service was installed in those premises?

A. I would have to think back on that one. Possibly the Four Way Food Market.

Q. What happened there, sir?

A. We had the bell type system there, and that—it is possible—there was an alarm put in there, and I have never gone back to the premises—but the man did say at the time that we was there that he was going to have a regular police type alarm in there. But that is the only case I remember of now. Whether there is any more or not, I would have to check the records on that. I don't remember.

* * * * * * *

[fol. 7611] Mr. Story:

Q. Sir, have you installed any of your local alarms in any premises which was formerly protected by a central station protective system?

A. I think we have, yes, but I can't remember any places. It seems like we have, yes. I would have to check that too, sir. I don't remember for sure, but it seems we have.

* * * * * * *

[fol. 7612] Q. After some of your local alarm subscribers have been burglarized, do you know whether or not the insurance companies have refused to continue their insurance on the premises?

A. I don't know. I do know this, that in several cases we have had fellows tell us—we have had several cases where fellows have told us that, "The insurance is requiring that we put in a bell type system," and they call us, and we tell them, "Yes, we have that available."

They ask us what per cent they can get on the discount, and then we tell them what we think it is, I mean from the experience we have had with the insurance companies telling us how much they are going to give on others, and then we wind up putting the alarm in.

[fols. 7613-7614] Now, what transaction takes place between them and the insurance company, we never know that.

Mr. Fritz: By "bell system" you mean a local system?

The Witness: That is right, in San Francisco.

Mr. Story:

Q. Would that be a certificated system?

A. It depends. If the insurance company requires a certificated system, we just tell them we can put it in, if they wish.

As a good illustration of that, Scheppler Jewelers was required to put in a certificated system by the insurance company under this block policy insurance that they had, jewelers' block.

However, after talking to them about it, and explaining the type of system we had, why, they found that it was far superior, or at least they thought so, and decided to have

our type system, because, as you understand it, the bell type system that we use, the battery is in the box, and the bell box is outside and on the premises.

In the certified type system that we use the batteries is in the premises where, if a person wanted to, why, they could disconnect the power from the burglar alarm by disconnecting the battery in the premises.

* * * * * * *

[fol. 7615] Mr. Story:

Q. Have any of the central station protection companies here at any time referred any local alarm accounts to your company?

A. Yes, the ADT has.

Q. When was that, sir?

A. Not recently. Well, I better give you an illustration here, I think. It might help.

Here is one here. He has on there, as you noitce, "Day & Night," and also the "American Burglar Alarm," and he told them to call us too, and that is the job we are putting in right now.

Q. When did you receive this referral, sir?

A. Last week, I believe it was.

[fol. 7616] Q. And this card says, Mr. James Lopez, sales representative of the American District Telegraph Company.

A. That is right.

Q. How did you receive this card, sir?

A. The fellow that we are installing the alarm for offhandedly handed me the card and says, "These people recommend you for an estimate.

And I said, "Thanks."

Q. And you are in the process now of putting this—

A. Installing that alarm, yes.

Q. I thought you told us a moment ago that ADT was engaged in the local burglary alarm business here.

A. Yes, they are.

Q. Well, why are they referring local alarm accounts to your company, if you know?

A. Well, to be perfectly frank with you, I think that

would be a good question to ask Mr. Lopez there. I don't know.

Q. Now, within the last year have you heard that ADT has referred any other local alarm business to your company?

A. I would just have to say that possibly I have, but to anyone that I know of, I don't recall, because actually what it amounts to is whenever there is a central office to be installed, a big job, why, we have always turned it over to either the American Burglar Alarm or the ADT.

For example, Top's down here, the department store, he [fol. 7617] says, "How about putting a bell system in for us?"

I went down—his name happens to be Hamilton also—I said, "Sir, what you need in here is a central office type system." I said, "A bell system, fine, but," I said, "this is a big place, and that is just my recommendation."

So he said, "Who would you recommend?"

I said, "I would recommend either the ADT or the American Burglar Alarm," and I said, "They are both good."

So now the ADT has installed down there.

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[fols. 7618-7620] Further Examination

By Mr. Fritz:

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[fol. 7621] Q. Would you think a central station service would any more protection?

A. If I thought so, sir, we would have central station service. We have the type service that we have because we feel that it is more than adequate to protect the premises.

We have one in our building.

Q. That is in your own building?

A. Yes.

Q. What are the various kinds of business that use your burglary protective system?

A. You name it!

Q. By categories?

A. We have homes, all different types of businesses, even barbershops.

[fols. 7622-7625] Q. Jewelers?

A. Jewelers.

Q. Liquor stores?

A. Liquor stores.

Q. Furriers?

A. Furriers, yes. We have just about any type business you can imagine, except banks. We don't have any banks in the City.

* * * * * * *